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AMERICAN FOREIGN INVESTMENTS

AMERICAN FOREIGN INVESTMENTS

BY

ROBERT W. DUNN

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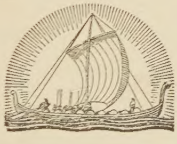

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FOREWORD

"SEES LOANS ABROAD 12 BILLIONS BY 1926. . . ."

This headline on the financial page of the *New York Times*, July 1, 1925, occasions little interest on the part of the "man in the street." He may remark—"a big figure," and turn to the sporting section.

The item, however, covers a multitude of events and thousands of separate economic transactions; and in the end it will certainly lead to significant political results. With the latter, however, this book is not concerned, as it is obviously not a work of interpretation or prophecy. It concerns itself exclusively with breaking up into understandable units the several billion dollars representing the present investment of United States citizens beyond the seas.

With the exception of the preliminary chapters, which sketch the important changes in American * foreign financing over a period of years, the main section of this book is an attempt to classify and present in outline form some of the facts relating to American foreign investments as they stand today. It does little more than suggest answers to such questions as: "Where and in what form is American money now invested abroad?" or "What corporations and banks are involved in the foreign investment transactions?"

It is clear that only a beginning has been made in answering these questions, for, among other reasons, certain difficulties stand in the way of completeness. For example there is the difficulty of tracing industrial investments in foreign countries. John B. Osborne, writing in the *North American Review*, July, 1912, mentions this and gives an example of the manner in which

* With the permission of our Latin-American friends the word "American" will be used loosely in this book as an adjective meaning "of the United States."

ownership may be concealed and only accidentally made public: "The American ownership of the Sollstedt potash mine in Germany became known generally only when the validity of the American contract became a diplomatic question." [1] And Rufus S. Tucker, writing on our Canadian investments, comments on the same difficulty in tracing ownership titles in that country. Corporations may be organized under Canadian laws but with American capital and stockholders. Again, the American-owned property may be administered by local agents, or the bonds of the companies sold through American banks may have been bought in Canada.[2] Consider also the number of British companies in which American capital is invested without any record appearing on either side of the Atlantic. It is quite possible for an American bank or corporation to send large instalments of capital abroad periodically until it has quietly taken over a British company without any public notice.

One should not forget also, in this connection, the number of companies formerly incorporated in the United States which may have transferred their registry to, say, Mexico or Chile in order to take advantage of the more favorable conditions granted by these governments to companies locally incorporated. After registering in the foreign country the company may operate thereafter under a foreign name and the size of its investment may be known only to itself and not even to the local government under which it has incorporated. Many companies, formerly operating in the border states, have transferred their registry to Mexico and are now under no obligation to report on their capital investment to any political administration on either side of the border.

Secondly, there is the difficulty of tracing bankers' loans. Total figures on the credits and short term loans extended by American banks to foreign corporations are usually guess-work. Credits may be extended to foreign corporations and sometimes even to governments without any notice appearing in the public prints. These private loans may be renewed again and again until possibly the public offering of a security, refunding the

[1] *North American Review*, v. 195, p. 690.
[2] U. S. *Commerce Reports*, Nov. 3, 1924, pp. 278–80.

obligation, may bring it to light. To follow these short term loans would require one's presence on the inside of every large banking house in America, for the extent of such lending abroad is known only to the bankers themselves.

It is clear that many of the difficulties mentioned could be overcome by an official survey such as the Department of Commerce might undertake—a thoroughgoing study of American companies and their relations to the various outlets for our capital abroad. Certainly hundreds of corporations which have escaped the eye of this very limited investigation could be turned up by a government body empowered to "questionnaire" and subpœna the persons and corporations involved. However, until such a survey is undertaken, this volume may prove of value to those who for one reason or another are interested in tracing the American dollar to its place of investment abroad.

The writer has consulted certain manuscript material chiefly in the files of the United States Department of Commerce to which only occasional reference is made in the footnotes. However, he must mention particularly the revised manuscript of *Investments in Latin America and the British West Indies,* by Frederic M. Halsey, placed at his disposal by Mr. Halsey and Mr. Grosvernor M. Jones, Chief of the Bureau of Foreign and Domestic Commerce. Since the manuscript was consulted the Department has decided to issue it as a series of separate information bulletins beginning with one on Argentina. Hence no page references to the manuscript have been possible. Margaret Alexander Marsh has assisted greatly in the section devoted to Mexico, and Mr. Robert Menapace has given advice in the preparation of the table on page 20. Material on American interests in Central American countries prepared by W. Jett Lauck has been used in the sections dealing with those countries.

To Scott Nearing the writer is specially indebted for first suggesting the need for a study of this kind and for criticism and suggestion at every stage of the work. An appropriation by the American Fund for Public Service, Inc., made the work possible and a committee of consultants appointed by the Fund made helpful suggestions after reading the initial report which formed the

basis of the present study. This committee included Thomas S. Adams, Harry Elmer Barnes, Roger N. Baldwin, Charles A. Beard, Raymond L. Buell, Edward Mead Earle, Morris L. Ernst, Lewis S. Gannett and James Weldon Johnson.

Miss Natalie Brown has been painstaking in preparing the bibliography, and Miss Marion Shields and her staff have given care in the typing and copying. The members of the staff of the Economics Division of the New York Public Library have been most generous with their help in many ways.

The substantial appendices collected and edited by Mr. Adrian Richt contain, for the careful reader, some valuable exhibits in American economic penetration abroad. They take one, as it were, behind the scenes of the tables on page 20 and show one some of the forces and incentives operating in the minds of the bankers and concessionaires who have dealt with our Latin-American neighbors during the past decade or so. To a number of unnamed friends in the banking world we are grateful for copies of these contracts and concessions, complete copies of which are now on file, in translation, at the office of the American Fund for Public Service, Inc., New York City. Students of the growing American Empire today—and a hundred years hence—may find them illuminating.

R. W. D.

New York, November 1, 1925.

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AMERICAN FOREIGN INVESTMENTS

I

WHEN THE UNITED STATES WAS A DEBTOR NATION

Only in comparatively recent years has the United States become a great creditor nation. Within less than a decade, she has become an outstanding investor in the external loans and internal loans of almost every foreign nation.

As a new and developing country, the United States needed and borrowed money from abroad to finance its industrial and governmental operations. A survey of American history during the nineteenth century shows that the United States was a debtor nation during the whole of that century, when foreign governments as well as foreign peoples were lending us money.

In 1843 a committee of the House of Representatives made a report in which it was estimated that the amount of state and city debt held outside of the United States was $150 million, practically all of which had been borrowed before 1839. Some $125 million of this amount had been invested in the United States during the period 1821 to 1837.[1]

In spite of the panic of 1837 which scared off European investors for several years, the value of American securities held by foreigners in 1854 was estimated by the Secretary of the Treasury at $222 million.[2] By 1860 the amount had risen to approximately $400 million, from which high point it declined as railroad and other securities held abroad were returned for sale in substantial amounts during the Civil War.

When the panic of 1873 broke, the total of American securities held in Europe had increased to $1,500 million, but it sank again as a result of the ensuing depression. With the developing railway boom and the period of rapid industrial

[1] *Review of Economic Statistics*, v. 1, pp. 217–218.
[2] Ibid., p. 220.

expansion, the amount increased to some two billion dollars in 1880. Of this amount $1,535 million was invested in American railway securities.[3] The heavy import of capital during this period, it is estimated, raised the total of all American securities held abroad in 1890 to about three billion dollars. Subsequent withdrawals during the years following the 1893 panic reduced it to $2,200 million.

According to N. T. Bacon[4] approximately $3,300 million of European capital was invested here, chiefly in railroads, on January 1, 1899. On the same date America's entire investment in the obligations of other governments and foreign corporations did not amount to more than $500 million—$150 million of which was in Canada, $185 million in Mexico, $50 million in Cuba, $10 million in Europe, $55 million in other Latin American countries, $5 million in China and Japan and $45 million in life insurance company guarantee investments in Russia and elsewhere. This left the United States in debt to the outside world to the tune of about $2,800 million.

In the period between the spring of 1904 and the autumn of the year following, some $535 million of Japanese loans was floated in the American and European markets. In March 1907 when $115 million of this was refunded half of the amount was carried by American financial houses.[5]

A summary of our foreign investment developments from then on is given by H. E. Fisk:

"Nine years later (1909) United States investments abroad are estimated to have reached a total of $2,000,000,000. Canada was then a debtor to the United States in the sum of $500,000,000 and Mexico for from $600,000,000 to $700,000,000 while our investments in Europe had reached the relatively high total of $350,000,000."[6]

"By the close of 1913 we had invested outside of our own borders around, perhaps over, $2,500,000,000. This figure is higher than the accepted estimates, but we believe it to be a close approximation to the facts."[7]

[3] U. S. National Monetary Commission, *Publications*, v. 20, p. 173.
[4] *Yale Review*, v. 9, pp. 265–285.
[5] *Annalist*, v. 16, p. 452.
[6] Fisk, *Inter-Ally Debts*, p. 306.
[7] Idem.

The distribution of these foreign investments at the close of 1913 according to the same authority is as follows: [8]

(In millions.)

Country	*Amount*
Canada	$ 750
Cuba	100
Mexico	1,050
Central America	50
South America	100
Europe	350
China and Japan	100
Philippine Islands	75
Porto Rico	30
Total	$2,605 million.

Granting that this estimate is not too liberal, and it is far higher than that given by other authorities, we still find the United States at the outbreak of the war a debtor to the world, for according to D. R. Crissinger, Comptroller of the Currency, foreign investors in 1914 owned from four to five billion dollars of American securities.[9] This left us still in debt to foreign countries by at least $2,500 million to $3,000 million.

Thus we see the correctness of the statement by Bullock and his associates in their careful study, that "for the whole period 1896–1914 the net flow of capital investment was decidedly into the United States." [10]

[8] Ibid., p. 307.
[9] *Economic World*, n. s. v. 24, p. 413.
[10] *Review of Economic Statistics*, v. 1, p. 230.

II

WAR TURNS THE INVESTMENT TIDE

A. *The War Demand for Gold and Capital.*

The war emergency turned the investment tide, directing British, French, Belgian and German surplus to the battlefields instead of to undeveloped foreign countries, and stimulating a demand for American goods and particularly for American credit which in the years between 1915 and 1920 placed every important country of Europe in the debt of the United States, besides providing the surplus with which American business interests were able to make large investments in Latin America, Canada and elsewhere.

With the war, American securities held abroad were returned in a steady stream. It has been estimated that between 1914 and 1919 the value of returned securities was about $2,000 million. In other words two billion dollars' worth of American railway, government, municipal, corporate and other stocks and bonds held in Europe were now purchased by Americans.[1] D. R. Crissinger places the figure even higher. He says: "Since the beginning of the war we have bought back by far the greater part of those securities—probably two-thirds of them," [2] in other words about $3 billion worth.

The war stimulated also an extraordinary export of new capital chiefly in the form of the so-called war loans. One estimate is that from August 1, 1914, to January 1, 1917, or even before America entered the war—approximately $2,325 million in foreign loans was floated in the United States, $1,900 million of this consisting of loans to the allied nations.[3]

[1] *Review of Economic Statistics*, v. 1, p. 246.
[2] *Economic World*, n. s. v. 24, p. 413.
[3] *Journal of Commerce*, Jan. 2, 1917.

Not counting the $2 billion, and possibly more, of American securities returned and sold here, the actual export of capital during the war period is set down by Bullock and his associates at $8,839,600,000, distributed as follows:[4]

Private Loans floated in United States	$1,520,100,000
Direct Loans of United States Government to European Governments	7,319,500,000

Accordingly, in 1919, this sum of nearly $9 billion constituted "the new lending of American capital to the outside world. The export of this vast sum, in four years and a half of war, places the United States second only to Great Britain in volume of foreign investment."[5]

In 1919 alone, the first year after the war, $3,369 million of capital and credit were exported, $3,362 million of which consisted of loans made by the United States Government. These loans of our government to foreign governments were the prevailing form of capital export during the war and the years immediately following.

B. *Export of Private Capital.*

The total foreign government, state, municipal and corporate (railroads, public utility and industrial) loans outstanding in the United States on June 1, 1921, according to the figures of the Guaranty Trust Company of New York, amounted to $2,396,862,083.[6] This figure does not include foreign internal bonds and stocks or sterling or franc issues of foreign countries held in the United States on that date (see page 44). Nor does it embrace complete figures on issues sold partly in this country and partly in other countries.

This obligation of nearly two and one half billion dollars was distributed among some twenty-six different countries and ranged in amount from a public utility investment in Australia of

[4] *Review of Economic Statistics*, v. 1, p. 248.
[5] Idem.
[6] U. S. *Federal Reserve Bulletin*, v. 7, p. 942.

$1,250,000 to the $696,681,790 worth of securities of Canada (including Newfoundland) then outstanding in the American market and held by citizens of the United States.[7]

During the five years following the war (see table below) the peak period for the issuance of this form of obligation was reached in 1922. The Department of Commerce says: "A truly phenomenal activity prevailed during the first half of 1922 in issues for foreign Governments and for foreign industrial enterprises. To a greater extent than ever before it appeared that the American investor was interesting himself in financing oversea developments." [8] The year 1923, on the other hand, shows a considerable decrease in the amounts issued, which is attributed by Grosvenor M. Jones, Chief of the Finance Division of the Bureau of Foreign and Domestic Commerce, to unsettled European conditions, the unusual number of issues of domestic bonds in 1923, the fact that the funds of small investors had been largely absorbed by the extraordinary purchases of foreign bonds in 1921 and 1922, and the reduction in yield of the bonds issued in 1923. [9]

The figures in the following table represent both new capital and refunded loans, the latter constituting in some years as much as one-fourth of the total: [10]

SECURITIES ISSUED BY FOREIGN COUNTRIES AND U. S. POSSESSIONS IN THE AMERICAN MARKET, 1919–1923, INCLUDING GOVERNMENT, STATE AND MUNICIPAL AS WELL AS CORPORATE LOANS.

(In thousands.)

	Government	*U. S. Possessions*	*Corporate*	*Total*
'19	$564,559	$11,700	$105,448	$681,707
'20	376,609	16,277	228,626	621,512
'21	478,305	27,145	169,867	675,317
'22	626,758	50,373	220,077	897,208
'23	291,908	8,186	98,123	398,217

[7] Idem.
[8] U. S. *Commerce Year Book*, 1922, p. 434.
[9] *Bankers Magazine*, v. 107, pp. 10–11.
[10] U. S. *Federal Reserve Bulletin*, v. 10, p. 93.

C. *Record Foreign Borrowing in* 1924.

The year 1924 established a new record in foreign financing. According to the United States Department of Commerce foreign capital flotations publicly offered here during 1924 amounted to $1,209,786,484. Of this amount $332,268,000 was for refunding purposes, the balance, $877,518,484, constituting nominal new capital subscribed to publicly-offered foreign loans both governmental and corporate.[11]

When it is remembered that the total nominal foreign capital flotations during the previous year, 1923, amounted to only $538,315,500 it will be seen that the year 1924 witnessed a more than 100 per cent increase in capital subscribed for foreign dollar securities. It should be noted that the Department of Commerce figure for 1923 is much higher than that given in the table above from the Federal Reserve Bulletin. This is explained by the fact that capital flotations of American corporations with major interests abroad are not included in the Federal Reserve tabulations.

The bulk of this money was loaned by Americans to foreign governments, states and municipalities or to corporations backed by government agencies, "for of the $878,000,000 of new loans floated $775,000,000, or 88 per cent, were Government-guaranteed, whereas in 1923 the corresponding percentage was only slightly over 60 per cent . . . but there were other important investments in foreign industrial enterprises not represented in the list of bonds publicly offered." [12]

The largest loans of the year were the Japanese loan of $125 million, the Dawes Plan loan to Germany of $110 million, the $100 million exchange stabilization loan to France, $90 million to the Canadian Government, $50 million to Belgium and $40 million to the Netherlands.[13]

The distribution of the publicly-offered loans listed by the

[11] U. S. *Trade Information Bulletin,* no. 340, p. 20.
[12] Ibid., p. 14.
[13] Ibid., p. 16.

Department of Commerce for 1924 is represented in the following table:[14]

	Government and Municipal	*Corporate*
Europe	$541,850,000	$39,750,000
Canada and Newfoundland	210,547,984	46,266,000
Latin America	158,990,000	48,382,500
Asia	148,400,000	15,500,000

These figures as we have noted do not include the unusual mass of short term credits, bankers' loans to foreign industries, and direct industrial investments made in foreign territory by American capital during the year (see below, page 13). Exclusive of this class of credits, to be discussed later, the 1924 record of foreign capital flotations as presented by the Department of Commerce is as follows:[15]

FOREIGN CAPITAL FLOTATIONS PUBLICLY OFFERED IN THE UNITED STATES DURING 1924

FOREIGN GOVERNMENTS, PROVINCES, AND MUNICIPALITIES

(Including corporate issues guaranteed by governmental agencies.)

Securities	*Total Nominal Capital*	*Interest*	*Due*
Europe:			
Lower Austrian Hydro Electric Power Co. (guaranteed by Province of Lower Austria)	$3,000,000	6.5	1944
Kingdom of Belgium	30,000,000	6.5	1949
Do	50,000,000	6	1955
Czechoslovak Republic	9,250,000	8	1925
Carlsbad, Czechoslovakia	1,500,000	8	1954
Industrial Mortgage Bank of Finland, guaranteed	12,000,000	7	1944
Finnish guaranteed (municipal loan)	7,000,000	6.5	1954
French Republic	100,000,000	7	1949
Paris-Orleans Railway Co.	10,000,000	7	1954
Paris-Lyons-Mediterranean Railway Co.	2,200,000	..	....
Do	20,000,000	7	1958
Nord Railway Co.	15,000,000	6.5	1950
French National Mail Steamship Line	10,000,000	7	1949
German Government	110,000,000	7	1940
Greek Government	11,000,000	7	1964
Kingdom of Hungary	7,500,000	7.5	1944
Do	1,500,000	..	....

[14] Ibid., pp. 16–20.
[15] Idem.

FOREIGN CAPITAL FLOTATIONS PUBLICLY OFFERED IN THE UNITED STATES DURING 1924—continued

FOREIGN GOVERNMENTS, PROVINCES, AND MUNICIPALITIES (continued)

Securities	*Total Nominal Capital*	*Interest*	*Due*
Europe (continued):			
Kingdom of the Netherlands	40,000,000	6	1954
City of Rotterdam	6,000,000	6	1964
Kingdom of Norway	25,000,000	6	1944
City of Christiania	2,000,000	6	1954
City of Bergen	2,000,000	6	1949
Christiania tramways (guaranteed by the city)	1,400,000	5	1926
City of Trondhjem	2,500,000	6.5	1944
Kingdom of the Serbs, Croats, and Slovenes	3,000,000	6	Mar. 1925
Swedish Government	30,000,000	5.5	1954
Government of Switzerland	30,000,000	5.5	1946
Total nominal	541,850,000	..	
Refunding	30,000,000	..	
Nominal new capital	511,850,000	..	
Latin America:			
Government of the Argentine	$40,000,000	6	1957
Do	20,000,000	5.5	Aug. 1924
Do	10,000,000	5.25	June 1925
Do	5,000,000	4	1925
Do	30,000,000	6	1958
Do	20,000,000	5	Feb. 1925
City of Buenos Aires	8,490,000	6.5	1955
Province of Buenos Aires	2,000,000	5.5	Apr. 1925
Republic of Bolivia	2,000,000	8	1947
Do	3,000,000	8	1947
City of Bogota (Colombia)	6,000,000	8	1945
Municipality of Medellin (Colombia)	3,000,000	8	1948
Dominican Republic	2,500,000	5.5	Sept. 1926
Government of Mexico	[1]	..	....
Republic of Peru	7,000,000	8	1944
Total nominal	158,990,000	..	
Refunding	77,500,000	..	
Nominal new capital	81,490,000	..	
Canada and Newfoundland:			
Dominion of Canada	90,000,000	4	1925
Canadian National Railways	20,000,000	4	July 1927
Do	9,375,000	4.5	1925–1939
Do	26,000,000	4.5	1954
Province of Alberta	2,500,000	5	1939
City of Calgary, Alberta	697,000	5.5	1954
Do	1,050,000	5.5	1944

FOREIGN CAPITAL FLOTATIONS PUBLICLY OFFERED IN THE UNITED STATES DURING 1924—continued

FOREIGN GOVERNMENTS, PROVINCES, AND MUNICIPALITIES (continued)

Securities	*Total Nominal Capital*	*Interest*	*Due*
Canada and Newfoundland (continued):			
Province of British Columbia	2,000,000	5	1949
Do	3,000,000	4.5	1927
Do	3,000,000	5	1949
Do	2,000,000	5	1939
City of Prince Rupert, British Columbia	155,000	6	1926–1929
City of Burnaby, British Columbia	250,000	5.5	1929
City of Victoria	665,000	5	....
Province of Manitoba	2,600,000	5	1944
Greater Winnipeg water district	2,060,000	5	1929
Do	1,040,000	5	1944
City of Winnipeg	2,000,000 [2]	5	1944
Province of New Brunswick	800,000	5	1934
Do	1,161,000	5	1934
Province of Nova Scotia	$1,500,000	5	1934
Do	2,000,000	4.5	1926
Province of Ontario	5,000,000 [3]	4.5	1944
Do	3,000,000	5	1925
Do	5,000,000	3.5	Sept. 1925
City of Ottawa	1,788,000	5.5	1924–1953
Do	2,426,000	5	1925–1954
City of Toronto (harbor commissioners)	3,000,000 [2]	4.5	1953
Ford City, Ontario	468,984	6	1924–1943
City of Montreal	9,700,000	5	1943–1963
Montreal Metropolitan Commission	2,612,000 [2]	5	1951
City of Westmount	200,000	5	1924–1964
Government of Newfoundland	3,500,000	5.5	1944
Total nominal	210,547,984	..	
Refunding	111,780,000	..	
Nominal new capital	98,767,984	..	
Asia:			
Japanese Government	125,000,000 [4]	6.5	1954
Industrial Bank of Japan	22,000,000	6	1927
Philippine Government	1,500,000	4.5	1952
Total nominal	148,400,000	..	
Refunding	65,988,500	..	
Nominal new capital	82,511,500	..	
Total Governments, Provinces and Municipalities	1,059,887,984	..	
Refunding	285,268,000	..	
Nominal new capital	774,619,984	..	

FOREIGN CAPITAL FLOTATIONS PUBLICLY OFFERED IN THE UNITED STATES DURING 1924—continued

CORPORATE

Securities	*Total Nominal Capital*	*Interest*	*Due*
Europe:			
Solvay & Co. (Belgium)	$10,000,000	6	1934
International Power and Securities Co. (Union d'Electricité of Paris)	4,000,000	6.5	1954
Fried. Krupp (Ltd.)	10,000,000	7	Dec. 15–1929
International Match Corporation	15,750,000	..	....
Total Nominal	39,750,000	..	
Refunding	25,750,000	..	
Nominal new capital	14,000,000	..	
Latin America:			
Andes Copper Co. (Chile), amount paid up	10,000,000	7	1943
Antilla Sugar Co. (Cuba)	6,000,000	7.5	1939
Cespedes Sugar Co. (Cuba)	3,000,000	7.5	1939
Cuban Dominican Sugar Co.	15,000,000	7.5	1944
Sugar Estates of Oriente (Inc.)	2,000,000	8	[5]
Ferrer Sugar Co. of Cuba	1,500,000	7.5	1939
Cuban Northern Railways	4,500,000	6	1966
Do	1,680,000	6.5	1925–1932
International Railways of Central America-Guatemala	1,000,000	5	1972
Do	2,500,000	5	1972
Venezuelan Petroleum Corporation	1,202,500	..	
Total nominal	48,382,500	..	
Refunding	10,000,000	..	
Nominal new capital	38,382,500	..	
Canada:			
Montreal Tramways and Power (Ltd.)	8,000,000 [2]	6	1929
Asbestos Mines (Ltd.)	1,000,000	7	1929
Wood and English (Ltd.) British Columbia	1,000,000	7	1939
St. Regis Paper Co. of Canada	1,500,000	6.5	1929–1934
Duke Price Power Co.	12,000,000	6	1949
Canadian Pacific Railway	10,000,000	4	....
Winnipeg Electric Railway	6,000,000 [2]	6	1954
St. Maurice Paper Co.	2,600,000	5.5	1929
Cosmos Imperial Mills	1,000,000 [2]	6.5	1944
King Edward Hotel Co.	1,000,000	7	....
Montreal Tramways Co.	3,266,000	5	1954
Total nominal	46,266,000	..	
Refunding	11,250,000	..	
Nominal new capital	35,016,000	..	

FOREIGN CAPITAL FLOTATIONS PUBLICLY OFFERED IN THE UNITED STATES DURING 1924—continued

CORPORATE (continued)

Securities	*Total Nominal Capital*	*Interest*	*Due*
Asia:			
Great Consolidated Electric Power Co. (Ltd.) Japan	$15,000,000	7	1944
Manila Electric Railway Co.	500,000	7	1942
Total nominal	$15,500,000	..	
Total Corporate	149,898,500	..	
Refunding	47,000,000	..	
Nominal new capital	102,898,500	..	
Grand total	1,209,786,484	..	
Refunding	332,268,000	..	
Nominal new capital	877,518,484	..	

[1] A $50 million Mexican Government loan was offered by a Texas banker, October, 1924. The Government has officially announced that the loan contract with this banker has been cancelled because he failed to secure the amounts called for within the time limit.

[2] Partly sold in Canada. It is added to the total in order to partly offset old domestic issues that were sold in the United States in 1924 (such as two City of Toronto loans).

[3] Represents estimated amount of $20 million issue sold in United States.

[4] Represents portion of $150 million loan sold in the United States; remainder, or $25 million, was disposed of in the Netherlands.

[5] Preferred stock.

Additional short-term loans to foreign governments, states and municipalities during 1924, are given by Moody.[16] The following table covers this class of loans to foreign governments and cities, other than Canadian. Most of these were handled privately by American banking houses.

Berlin, 1 year note 7s	$ 3,000,000
Cologne, 1 year note 7s	2,000,000
China, 4s of 1931	100,000
Denmark, 5¾s of 1925	10,000,000
French Credit National 6s of 1922	8,500,000
Newfoundland, 5½s of 1944	3,5000,000
Nicaragua, 5s, 1954	100,000
Nicaragua (coffee crop financing)	2,000,000
Salvador, 7s (Series C)	250,000

[16] Moody's *Governments and Municipals*, 1925, p. xx.

Then we have a much longer list of similar loans made by American bankers to foreign corporations which are not included in the Department of Commerce tables. These include some stocks and bonds of American corporations whose business is partly conducted abroad, bankers' short term credits and other privately placed securities. A wide diversity of foreign corporations and native companies operating abroad is represented in the following list.[17]

Additional Corporate Foreign Flotations 1924:

American Maracaibo Co. (Venezuela)	$50,000,000
American Engineering and Automotive Products Corporation of France (stock)	500,000
American and Continental Corporation	10,000,000
Austrian Credit Institute	500,000
Atlantic Refining Co. of Italy	100,000
Badische Anilin Loan	1,000,000
Bavarian Mortgage and Exchange Bank 8s, 1974	240,000
Bavarian Mortgage Credit Institute 8s, 1984	6,300,000
Botany Consolidated Mills (Germany)	1,920,000
Cuba Telephone 7% preferred (stock)	4,000,000
Czechoslovak Textile Industry Loan	6,000,000
Diesel Gas Engine Works of Cologne (stock)	225,000
Deutsche Bank (stock)	10,000,000
Equitable Acceptance Corporation (stock)	1,000,000
Finland Export Credit	6,000,000
Ford Motor Co. of Sweden (stock)	268,000
Ford Motor Co. of Holland (stock)	400,000
Ford Motor Co. of Australia (stock)	5,000,000
German Dye Trust Loan*	2,500,000
German Railways 7s	10,000,000
German Potash Loan	6,000,000
German Sugar Loan 7–7½s	4,000,000
Gelsenkirchen Mining Loan	2,500,000
Goodrich (British) 6s, 1927	1,125,000
International Power 6½s, 1954	4,000,000
International Match, preferred stock (to refund bonds)	15,750,000
International Tel. and Tel. (Spain)	2,000,000
Lago Petroleum (stock)	5,300,000
Lower Austrian Discount Bank (stock)	400,000
Montecatini Co. (stock) (Italy)	250,000
Midi Railway Loan (France)	3,000,000
North German Lloyd Loan	1,500,000

[17] Ibid., pp. xxi–xxii.

ADDITIONAL CORPORATE FOREIGN FLOTATIONS 1924 (continued):

National City Bank (France)	1,500,000
Patino Mines Enterprise Cons.	30,000,000
Pantepec Petroleum (stock)	3,000,000
Paris-Lyons-Mediterranean Railway 5¼s, 1925	2,200,000
Pine Products Co. (stock)	500,000
Peru (purchase of Nitrate Lands)	3,500,000
Rhine-Main-Danube 8s	2,500,000
Ruhr Coal Syndicate Credit	2,500,000
Rhenish-Westphalian Syndicate Credit Co. "Jug"	5,000,000
Sociedad Esp. de Ind. y Trac. Elec. (Spain)	12,500,000
Tidewater Lumber Co. (stock)	600,000
Serbo-American Iron Foundry and Match Co. "Jug"	50,000
United Coffee Mills and Warehouse Co. of Guatemala	300,000
U. S. and Foreign Corporation 6% preferred stock	25,000,000
U. S. and Foreign Corporation 6% second preferred stock	5,000,000
Verde Estate, Ltd.	350,000
Venezuela Gulf Oil	50,000

* Another loan not mentioned here was the German Gold Rediscount Bank Loan for $25 million.

The addition of these various short time credits, bankers' loans, corporation stocks and other forms of temporary investment brings the Moody total for all foreign *corporation* flotations, exclusive of Canadian, up to $463,110,000.

The Moody figure for all foreign financing in 1924 thus runs higher than that of the Department of Commerce because of the larger number of short term and private investment units included, particularly in the corporate field.

The totals arrived at after these additions are as follows:[18]

FOREIGN CAPITAL FLOTATIONS IN THE UNITED STATES 1924:

Foreign Gov'ts and Municipals	Foreign Corporations including Canadian	Canadian Gov't and Municipals	U.S. Possessions
$791,256,000	$612,549,000	$220,946,000	$8,330,000

making a grand total of $1,633,081,000 for the year instead of the $1,209,786,484 figure reached by the Department of Commerce tabulators with a less inclusive list of flotations.

[18] Ibid., p. xviii.

The *Foreign Securities Investor* [19] presents in tabular form the 1924 foreign financing using approximately the Moody figure. As totalled, the seven tables follow:

1. Bond and Note Issues of Governments	$ 882,331,000
2. Loans and Credits to Foreign States and Cities (exclusive of Canada)	47,990,000
3. Loans and Credits, except Stock Issues, of Foreign Corporations	353,295,000
4. Stock Issues of Foreign Corporations	145,390,000
5. Canadian Provincial and City Offerings	63,077,382
6. Securities of Canadian Corporations	137,814,000
7. Loans to United States Possessions	5,192,000
Total	$1,635,089,382

[19] *Foreign Securities Investor*, Jan. 7, 1925, pp. 4–7.

III

UNITED STATES GOVERNMENT LOANS TO FOREIGN GOVERNMENTS

THE largest single unit in the total export of United States capital consists of governmental loans to foreign governments during the war and later during the "reconstruction" period. This tremendous item is now referred to as "Our Twelve Billion Dollars" and is familiar to Americans under that title.

These obligations owing the United States Government by the European and other foreign governments are made up of the following elements:

a. The war credits advanced by the United States to foreign governments.

b. The obligations assumed by foreign governments which bought materials from the United States after the cessation of hostilities.

c. Interest accrued on these obligations.

Under date of May 16, 1925, the United States Treasury put the totals of these obligations at over $12 billion. The table showing the wide distribution of these loans follows:

Statement showing Principal Amount of Obligations of Foreign Governments held by the United States Treasury, Interest Accrued and Unpaid thereon up to and including the last Interest Period prior to May 16, 1924; and Payments heretofore made on Account of Principal and Interest:

Country	*Principal Amount of Obligations Now Held*	*Total Indebtedness (with Accrued Interest)*	*Payments on Account of Principal*	*Payments on Account of Interest*
Armenia	11,959,917.49	14,959,479.94	.....	.....
Austria	24,055,708.92	30,550,750.35	.....	.....
Belgium	377,029,570.06	480,503,983.61	2,057,630.37	18,526,408.21
Cuba	.....	.....	10,000,000.00	2,286,751.58
Czechoslovakia	91,879,671.03	117,679,095.70	.....	304,178.09
Esthonia	13,999,145.60	17,794,020.28	.....	.....
Finland	8,910,000.00	8,910,000.00	90,000.00	847,965.27
France	3,340,516,043.72	4,210,556,948.27	64,302,901.29	221,386,302.82
Great Britain	4,554,000,000.00	4,554,000,000.00	248,181,641.56	633,206,657.11
Greece	15,000,000.00	17,625,000.00	.....	1,159,153.34

Foreign Government Obligations held by the U. S. Treasury (continued):

Country	*Principal Amount of Obligations Now Held*	*Total Indebtedness (with Accrued Interest)*	*Payments on Account of Principal*	*Payments on Account of Interest*
Hungary	1,958,412.50	1,958,412.50	9,672.50	30,056.18
Italy	1,647,869,197.96	2,138,543,852.77	164,852.94	57,598,852.62
Jugoslavia ...	51,037,886.39	65,414,997.98	720,600.16	636,059.14
Latvia	5,132,287.14	6,352,139.45	.....	126,266.19
Liberia	26,000.00	32,768.85	.....	861.10
Lithuania ...	6,030,000.00	6,030,000.00	.....	91,996.97
Nicaragua ..	110,590.28	110,590.28	40,513.86	6,180.69
Poland	178,560,000.00	178,560,000.00	.....	2,048,224.28
Roumania ..	36,128,494.94	46,508,661.17	1,794,180.48	263,313.74
Russia	192,601,297.37	255,147,692.24	.....	7,911,594.39
Total.....	$10,556,804,223.40	$12,151,238,393.39	$327,361,993.16	$946,430,821.72
Funded Obligations Held Included Above.				
Finland	8,910,000.00	8,910,000.00	90,000.00	538,650.00
Great Britain	4,554,000,000.00	4,554,000,000.00	46,000,000.00	275,310,000.00
Hungary	1,958,412.50	1,958,412.50	9,672.50	29,303.14
Lithuania* ..	6,030,000.00	6,030,000.00	.....	90,450.00
Poland	178,560,000.00	178,560,000.00	.....	.....
	$4,749,458,412.50	$4,749,458,412.50	$46,099,672.50	$275,968,403.14

* Funding agreements approved by Congress but bonds have not been exchanged.

These figures indicate the influence which America may exert upon any country in Europe with the exception of the Scandinavian countries, Spain, Holland and three of our enemies in the war. Other ties bind the latter in other ways, as the loans in 1924 and 1925 to the Central European countries will illustrate.

The importance of the war loan obligations, when it is desired to bring pressure to bear on countries whose national interests cross those of the American investors, was illustrated in 1924 in the case of Roumania. The Roumanian Government enacted legislation tending to nationalize its oil supplies. This was resented by American oil companies, which had invested in Roumania. The State Department synchronously reminded the Roumanian Government that her loan was about due to be called. Similar political pressure is possible at any time through these great national loans owed to the United States Government.†

† For full discussion of these loans see: Fisk, *Inter-Ally Debts.* National Industrial Conference Board, *Inter-Ally Debts and the United States.*

IV

FOREIGN GOVERNMENT, PROVINCIAL AND MUNICIPAL LOANS FLOATED IN THE AMERICAN MARKET

Foreign government, state and municipal loans floated in the United States, and now outstanding, are also a matter of public record. It is comparatively easy to secure a reasonably complete statement of all obligations falling under this head.

In computing the total publicly-offered foreign government, state and municipal bonds held at present in this country, it is necessary to record the outstanding amount of every loan that has not yet reached maturity. The total thus shows roughly the amount of American dollars now tied up in the publicly-offered external dollar bonds of foreign countries as well as of our own insular possessions.

The following table, with a few exceptions, will not indicate the amounts advanced to other nations through temporary credits, bankers' short term loans, the purchase of foreign internal bonds and other more or less invisible forms of American foreign finance (see page 44). The following list does include, however, a few sterling issues when the exact amounts issued and outstanding in this country are known.

In so far as the facts are available, the list attempts to be an up-to-date catalog of the various dollar external obligations of foreign and territorial governments, states and municipalities. It has been compiled from sources believed to be reliable: such as the various manuals of Moody's Investor's Service, tables prepared by the Guaranty Trust Co. for the Bureau of Foreign and Domestic Commerce, and published in *Trade Information Bulletins* nos. 144, 215 and 340, the *Federal Reserve Bulletin,* the quarterly tables appearing in the *Commercial and Financial Chronicle,* and various offerings as announced in the *Annalist* and

the *New York Times*. The cards prepared by the Standard Statistics Co. and recent lists issued by A. Iselin & Co. (the latest April 15, 1925) have also been used.

The table shows for each country the approximate amount of every dollar obligation now outstanding, the date of offering and maturity, where possible the purpose for which the loan was used and the American banking house or houses handling the loan in this country.

The table follows on pages 20–33.

DOLLAR SECURITIES OF FOREIGN GOVERNMENTS, PROVINCES AND INCLUDING A FEW FOREIGN CURRENCY ISSUES KNOWN

(For totals by countries and for the world, see p. 176.)

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING (approx.)
ARGENTINA					
National					
Gov't of the Argentine Nation	6	1924	1957	$40,000,000	$39,341,500
Gov't of the Argentine Nation	6	1924	1958	30,000,000	30,000,000
Five Year Gold Notes	7	1922	1927	27,000,000	27,000,000
Gold Notes	5	1909	1945	9,730,000	7,750,000
Railway Equipment Bonds	6	1921	1926	13,000,000	6,971,450
Ext. Sinking Fund Gold Bond	6	1925	1959	45,000,000	45,000,000
Ext. Gold Notes	6	1925	1959	29,700,000	29,700,000
Provincial					
Province of Buenos Aires	6	1916	1926	8,098,250	3,745,335
" " Cordoba	7	1925	1942	5,943,000	5,943,000
" " Santa Fé	7	1924	1942	10,188,000	10,188,000
Municipal					
City of Buenos Aires	6½	1923	——	500,000	400,000
City of Buenos Aires	6½	1924	1955	8,490,000	8,399,500
AUSTRIA					
National					
Guaranteed Sinking Fund Gold Notes	7	1923	1943	25,000,000	25,000,000
Provincial					
Upper Austria	7	1925	1945	5,000,000	5,000,000
Municipal					
City of Graz	8	1925	1954	2,500,000	2,500,000
BELGIUM					
National					
Kgdm. of Belgium Ext. 7½s of 1920	7½	1920	1945	50,000,000	40,000,000
Kgdm. of Belgium Ext. 8s of 1921	8	1921	1941	30,000,000	24,112,500
Kgdm. of Belgium Ext. 6½s of 1924	6½	1924	1949	30,000,000	29,288,000
Kgdm. of Belgium Ext. 6s of 1924	6	1924	1955	50,000,000	49,584,500
Kgdm. of Belgium Ext. 7s of 1925	7	1925	1955	50,000,000	50,000,000
BOLIVIA					
National					
Rep. of Bolivia Ext. 6s of 1920	6	1920	1921–34	2,253,000	1,250,000
" " " " 6s of 1917	6	1917	1940	2,433,125	1,936,500
" " " " 8s of 1922	8	1922	1947	24,000,000	23,440,300

MUNICIPALITIES OUTSTANDING IN THE UNITED STATES MARKET
AMOUNTS OF WHICH ARE HELD IN THE UNITED STATES

October 1, 1925

PURPOSE	OFFERING HOUSE OR HOUSES (Usually only leading firm or firms of offering group is mentioned.)	REMARKS (Loans to Latin-American countries secured by special pledges are so indicated generally in the Appendix, and not here. European loans of this nature, however, are so indicated below.)
Payment of short term notes.	Kuhn, Loeb & Co.; Chase Securities Co.; Blair & Co. and others.	
Refunding short term notes.	Blair & Co. and synd.	
	Synd. headed by Blair & Co.	
Gov't works, railroads and banks.	J. P. Morgan & Co.	
Issued to Baldwin Locomotive Works and Middletown Car Co. in payment for R. R. equipment.		
Payment of floating debt and retirement of treasury notes.	J. P. Morgan & Co. and National City Co.	
	J. P. Morgan & Co. and National City Co.	
Public works.	Lee, Higginson & Co.	Only partly issued in U. S.
	Harris, Forbes & Co. and group.	
	White, Weld & Co. and Dillon, Read & Co.	
Public improvements.	Kissel, Kinnicutt & Co.; Harris, Forbes & Co. and group.	
International loan—general reconstruction.	J. P. Morgan & Co. and syndicate.	First charge on gross receipts Austrian customs and tobacco monopoly.
Development of state properties.	Synd. headed by Blyth, Witter & Co.	
Municipal construction.	J. Nickerson & Co. and C. B. Richard & Co.	
Government indebtedness.	Synd. headed by J. P. Morgan & Co.	
Government indebtedness.	Synd. headed by J. P. Morgan & Co.	
Refunding and retirement of other obligations.	Synd. headed by J. P. Morgan & Co.	
	Synd. headed by J. P. Morgan & Co.	
Approx. one-half to Belgian Congo Gov't.	Synd. headed by J. P. Morgan & Co.	
Sanitation and other works.	Synd. headed by Spencer Trask & Co. and Equitable Trust Co.	
Railway construction.	Synd. headed by Spencer Trask & Co. and Equitable Trust Co.	Secured by first mortgage on railway line.
Chiefly for refunding and railway and highway const.	Synd. headed by Spencer Trask & Co. and Equitable Trust Co.	

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING (approx.)
BOLIVIA (*cont.*)					
Rep. of Bolivia Ext. 8s of 1924	8	1924	1947	2,700,000	2,700,000
BRAZIL					
National					
U. S. of Brazil Ext. Gold Bonds	8	1921	1941	50,000,000	45,043,500
U. S. of Brazil Coffee Sec. Loan	7½	1922	1952	9,720,000	8,880,000
U. S. of Brazil Central Railway Electrification Loan	7	1922	1952	25,000,000	22,992,000
Provincial					
State of Ceara	8	1922	1947	2,000,000	2,000,000
State of Maranhao	8	1923	——	1,500,000	1,500,000
State of Sergipe	8	1923	——	1,000,000	1,000,000
State of Rio Grande do Sul	8	1921	1946	10,000,000	8,600,000
State of Santa Catherina	8	1922	1947	5,000,000	4,843,028
State of Sao Paulo	8	1921	1936	10,000,000	9,961,000
" " " "	8	1925	1950	15,000,000	15,000,000
Municipal					
City of Sao Paulo	6	1919	1943	8,500,000	7,735,000
" " " "	8	1922	1952	4,000,000	3,721,500
" " Porto Alegre	8	1922	1961	3,500,000	3,349,000
Rio de Janeiro Fed. Dist. 8s	8	1921	1946	12,000,000	11,126,000
" " " 25 yr. 8s	8	1922	1947	13,000,000	13,000,000
BRITISH EMPIRE					
UNITED KINGDOM					
U. Kgdm. Ext. Gold Bonds	5½	1917	1937	143,587,000	143,587,000
" " " " "	5½	1919	1929	148,379,100	148,379,100
CANADA					
Total outstanding gov't, provincial and municipal				850,000,000	850,000,000
AUSTRALIA					
National					
Gov't Loan	5	1925	1955	75,000,000	75,000,000
Provincial					
State of Queensland	7	1921	1941	12,000,000	12,000,000
" " "	6	1922	1947	10,000,000	9,985,000
Municipal					
City of Brisbane	6½	1922	1942	758,000	758,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
Chiefly for refunding and railway and highway const.	Synd. headed by Spencer Trask & Co. and Equitable Trust Co.	Under same authorization as 8s of 1922. Placed privately.
In part for purchase of materials in U. S. needed by Brazilian Gov't.	Synd. headed by Dillon, Read & Co.	
	Synd. headed by Dillon, Read & Co.	Sterling loan, a part of which issued here.
Electrification of parts of gov't railway.	Synd. headed by Dillon, Read & Co.	
Public works and retirement of part of French loan.	J. S. Bache & Co. and group.	
Bonds issued to Ulen Co. for public works.	Bankers' loan. Terms not known.	
Public works.	Bankers' loan. Terms not known.	
Retirement of funded debt and harbor and transportation improvement.	Lee, Higginson & Co. and Ladenburg, Thalmann & Co.	
Retirement of bonds and purchase of U. S. materials for gov't improvements.	Halsey, Stuart & Co.	
	Synd. headed by Speyer & Co.	Simultaneous issues in England and Holland.
	Synd. headed by Speyer & Co.	
Refunding other loans.	Equitable Trust Co. and others.	
Municipal improvements.	Lee, Higginson & Co.	
Municipal improvements and redemption of funded debt.	Blair & Co. and Ladenburg, Thalmann & Co.	
	Dillon, Read & Co.; Lee, Higginson & Co. and others.	
Refunding.	Synd. headed by Blair & Co.	
	J. P. Morgan & Co.	
	Synd. headed by J. P. Morgan & Co.	
		Estimate by Dr. Max Winkler, Moody's 1924. Estimate of *Financial Post*, Toronto, 1923, was $701,000,000.
	Synd. headed by J. P. Morgan & Co.	
R. R. construction, harbor and other works.	National City Co.	
R. R. construction and highways.	National City Co.	

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING (approx.)
CHILE					
National					
Rep. of Chile Gold Notes	8	1921	1941	24,000,000	19,200,000
" " " " "	8	1921	1926	9,500,000	4,721,500
" " " " "	8	1921	1946	10,500,000	9,289,500
" " " " "	7	1922	1942	18,000,000	17,947,500
Municipal					
Water Co. of Valparaiso	6	1915	1938	471,000	416,000
CHINA					
National					
Chinese Gov't Treasury Notes	6	1919	1921	5,500,000	4,000,000
" " Gold Notes	6	1919	1921	5,500,000	5,500,000
" " Hukuang Railway	5	1911	1951	7,500,000	7,500,000
" " Gold Loan	4	1895	1931		
COLOMBIA					
National					
Rep. of Colombia Ext. Gold Notes	6½	1922	1927	5,000,000	3,245,000
Provincial					
Dept. of El Valle del Cauca	7	1922	1932	1,400,000	1,304,000
Municipal					
City of Medellin	8	1924	1948	3,000,000	2,937,000
City of Bogota	8	1924	1945	6,000,000	6,000,000
City of Barranquilla	8	1925	1935	500,000	500,000
CUBA					
National					
Rep. of Cuba	5	1914	1949	10,000,000	7,826,600
" " "	5½	1923	1953	50,000,000	45,548,100
" " "	5	1904	1944	35,000,000	19,724,000
" " "	4½	1909	1949	16,500,000	14,534,000
CZECHOSLOVAK REPUBLIC					
National					
Czechoslovak Gov't Ext. Loan	8	1922	1951	14,000,000	13,692,600
" " " "	8	1924	1952	9,250,000	9,203,600
Municipal					
Prague, City of	7½	1922	1952	7,500,000	7,404,000
Carlsbad, City of	8	1924	1954	1,500,000	1,500,000
DENMARK					
National					
Kgdm. of Denmark Ext. Notes	6	1922	1942	30,000,000	30,000,000
" " " " "	8	1920	1945	25,000,000	25,000,000
Mortgage Bank of Denmark Ext. Loan	6	1925	1970	5,000,000	5,000,000
	5½	1925	1955	30,000,000	30,000,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
Railroad development	Synd. headed by J. P. Morgan & Co.	
Improvements to Chilean State railways	Blair & Co. and others.	
	Blair & Co. and others.	
	National City Co.	
	Guaranty Trust Co.	
	China-Pacific Development Corporation.	Still unpaid.
	Continental and Commercial Trust and Savings Bank of Chicago.	Still unpaid.
To const. the road and repay loan of 1900 ($2,200,000 to American China Development Corporation).	Synd. headed by J. P. Morgan & Co.	
	Rutter & Co.	Offered in 1920 and 1923 some 2,500,000 francs worth in N. Y. Offered in 1925 —500,000 francs worth in N. Y.
Retire floating indebtedness and other gov't purposes.	Blair & Co.	
Port improvements.	Bankers Trust Co.	
Public works.	Equitable Trust Co.	
	Dillon, Read & Co.	For refunding outstanding debt of city and for municipal improvements by U. S. engineers.
	Central Trust Co. of Illinois.	
Chiefly to Dept. of Public Works.	Synd. headed by J. P. Morgan & Co.	
	J. P. Morgan & Co.	
	Speyer & Co.	These two loans were placed only partly in the American market.
	Speyer & Co.	
	Kuhn, Loeb & Co., National City Co. and Kidder, Peabody & Co.	Part of loan of $30.5 million issued partly in London and Amsterdam.
		Series B of same authorized issue. Both series constitute lien on gross revenues and tobacco monopoly.
Public works.	Kuhn, Loeb & Co.	
Public works.	C. B. Richard & Co.	
To stabilize exchange.	National City Co.	
	National City Co.	Called Oct. 15, 1925.
	Brown Bros. & Co.	
	Guaranty Co., Dillon, Read & Co. and Union Trust Co. of Pittsburgh.	A gov't owned bank.

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING (approx.)
DENMARK (*cont.*)					
Municipal					
Danish Consolidated Municipal Loan	8	1921	1946	15,000,000	13,599,500
Copenhagen Ext. Loan	5½	1919	1944	15,000,000	14,250,000
DOMINICAN REPUBLIC					
National					
Customs Administration Loan	5½	1922	1942	6,700,000	6,700,000
" " "	5	1908	1958	20,000,000	4,709,700
Collateral Loan Trust Gold Notes	5½	1924	1926	2,500,000	2,500,000
Dominican Republic	5	1918	1938	4,161,300	1,330,000
FINLAND					
National					
Ext. Sinking Fund Gold Bonds	6	1923	1945	10,000,000	10,000,000
" Gold Loan	7	1925	1950	10,000,000	10,000,000
Municipal					
Finnish Guaranteed Municipal Loan	6½	1924	1954	7,000,000	7,000,000
FRANCE					
National					
French Republic	8	1920	1945	100,000,000	81,004,100
" "	7½	1921	1941	100,000,000	70,861,600
" "	7	1924	1949	100,000,000	98,645,000
Provincial					
Dept. of the Seine	7	1922	1942	25,000,000	25,000,000
Municipal					
City of Soissons	6	1921	1936	6,000,000	5,806,000
" " Marseilles	6	1919–21	1934	15,000,000	15,000,000
" " Lyons	6	1919–21	1934	15,000,000	15,000,000
" " Bordeaux	6	1919–21	1934	15,000,000	15,000,000
GERMANY					
National					
German Ext. Loan 1924	7	1924	1949	110,000,000	107,973,900
Provincial					
Saxon Public Works, Inc.	7	1925	1945	15,000,000	15,000,000
State of Bavaria	6½	1925	1926–45	15,000,000	15,000,000
State of Bremen	7	1925	1935	10,000,000	10,000,000
Municipal					
City of Berlin	6½	1925	1950	15,000,000	15,000,000
" " Cologne	6½	1925	1950	10,000,000	10,000,000
" " Munich	7	1925	1926–45	8,700,000	8,700,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
Public works for 29 municipalities.	National City Co. Brown Bros. & Co., J. and W. Seligman & Co. and others.	Series A and B. These figures represent the two taken together.
To retire part of external debts, some internal, public works, etc.	Lee, Higginson & Co., Dillon, Read & Co. and Brown Bros. & Co. Guaranty Trust Co. Lee, Higginson & Co., Dillon, Read & Co., Brown Bros. & Co., and others. National City Bank.	
Public works and improvements. Chiefly water power development.	National City Co. and Dillon, Read & Co. National City Co. and others.	
Refunding and public works.	National City Bank and Dillon, Read & Co.	27 cities. Helsingfors using Series B, $3,100,000.
To stabilize the franc.	J. P. Morgan & Co. and Guaranty Trust Co. J. P. Morgan & Co. and Guaranty Trust Co. J. P. Morgan & Co. and group.	
Capital expenditures and improvement of transport.	Synd. headed by Kuhn, Loeb & Co.	
Public works. Public works. Public works. Public works.	White, Weld & Co. Synd. headed by Kuhn, Loeb & Co. Synd. headed by Kuhn, Loeb & Co. Synd. headed by Kuhn, Loeb & Co.	
Dawes Plan Loan.	Synd. headed by J. P. Morgan & Co.	Secured by lien on gross customs, special taxes and net income of spirits monopoly.
New plant, lines, etc. Development of state industries.	National City Co. Equitable Trust Co. and Harris, Forbes & Co. Synd. headed by Guaranty Co. and Dillon, Read & Co.	Owned by State of Saxony.
Municipal improvements.	Speyer & Co., Blair & Co., and Equitable Trust Co. Synd. headed by Blair & Co. Harris, Forbes & Co.	

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING (approx.)
GREECE					
Relief Loan	7	1924	1964	11,000,000	11,000,000
HAITI					
National					
Ext. Sinking Fund Gold Bonds Series A	6	1922	1952	16,000,000	15,042,000
Ext. Sinking Fund Gold Bonds Series C	6	1923	1953	2,660,000	2,530,500
HUNGARY					
National					
Ext. Gold Bonds	7½	1924	1944	9,000,000	9,000,000
Municipal					
Hungarian Consolidated Municipal Loan	7½	1925	1945	10,000,000	10,000,000
JAPAN					
National					
Sinking Fund Gold Bonds	6½	1924	1954	150,000,000	148,000,000
Sterling 4s	4	1905	1931	15,800,000	15,800,000
Municipal					
City of Tokio	5	1912	1952	10,000,000	5,250,000
JUGOSLAVIA					
National					
Serbian Ext. 8s	8	1922	1962	15,250,000	15,250,000
Treasury Gold Notes	6	1924	1925	3,000,000	3,000,000
LEAGUE OF NATIONS					
Saar Basin Consolidated Counties	7	1925	1935	4,000,000	4,000,000
City of Saarbruecken	7	1925	1935	3,000,000	3,000,000
MEXICO					
Total gov't, provincial and municipal debt in default, not counting interest accumulated					60,000,000
NETHERLANDS					
National					
Sinking Fund Gold Bonds	6	1922	1972	50,000,000	50,000,000
" " " "	6	1924	1954	40,000,000	40,000,000
Municipal					
Rotterdam	6	1924	1964	6,000,000	5,900,000
DUTCH EAST INDIES					
Ext. Gold Bonds	6	1922	1947	40,000,000	40,000,000
" " "	5½	1923	1953	50,000,000	50,000,000
" " "	6	1922	1962	60,000,000	60,000,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
Refugee relief.	Speyer & Co.	Part of a three-cornered loan of $60 million floated largely in London. Secured by lien on certain customs and monopolies and other revenues. Administered by International Financial Commission.
To refund Haitian French loans, internal debt and public works.	National City Co.	
Issued in exchange for outstanding railroad bonds.	National City Co.	Railroad bonds of French company evidently acquired by National City Co.
Gov't indebtedness.	Speyer & Co., Equitable Trust Co. and others.	$7.5 million issued publicly. Remainder placed later without public offering.
Capital purposes.	Speyer & Co.	First charge on certain revenues. General financial supervision provided by Geneva Protocols.
$75 million (estimated) used to retire previous loans outstanding.	J. P. Morgan & Co., Kuhn, Loeb & Co., National City Co. and others.	
	Synd. headed by Kuhn, Loeb & Co.	Sterling loan of £3,250,000.
	Synd. headed by Kuhn, Loeb & Co.	Part of an issue of £5,175,000 offered in New York and London.
R. R. rehabilitation, gov't building, etc.	Synd. headed by Blair & Co.	Secured by lien on gross customs, monopolies, and railway receipts.
	Blair & Co.	Six-month treasury notes sold privately.
Water works, electric lights, power plants, railroads.	Synd. headed by Ames, Emerich & Co.	Privately bought (*Annalist*, June 8, 1925).
	Synd. headed by Ames, Emerich & Co.	Estimate by Moody's Investors Service, 1924.
	Synd. headed by Dillon, Read & Co. Kuhn, Loeb & Co., and National City Co.	In guilders.
Public improvements.	National City Co.	
Floating indebtedness.	Synd. headed by Guaranty Trust Co.	
Floating indebtedness.	Synd. headed by Guaranty Trust Co.	Two issues of $25 million each, one maturing March 1 and other Nov. 1, 1953.
Floating indebtedness.	Synd. headed by Guaranty Trust Co.	

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING (approx.)
NICARAGUA					
Guaranteed Customs Bonds	5	1918	Sinking Fund	3,744,150	3,250,900
NORWAY					
National					
Kgdm. of Norway Ext. Gold Notes	6	1922	1952	18,000,000	18,000,000
" " "	6	1923	1943	20,000,000	20,000,000
" " "	6	1924	1944	25,000,000	25,000,000
" " "	5½	1925	1965	30,000,000	30,000,000
Municipal					
City of Bergen	8	1920	1945	4,000,000	3,384,000
" " Christiania	8	1920	1945	5,000,000	4,314,000
" " Trondhjem	6½	1924	1944	2,500,000	2,500,000
" " Christiania	6	1924	1954	2,000,000	2,000,000
" " Bergen	6	1924	1949	2,000,000	2,000,000
" " Oslo (Christiania)	6	1925	1955	8,000,000	8,000,000
" " Oslo "	5½	1925	1945	2,030,000	2,030,000
Christiania Tramway Corporation	5	1924	1926	1,400,000	1,400,000
PALESTINE					
Municipal					
City of Telaviv	6½	1923	1928–43	350,000	350,000
PANAMA					
1. Secured Gold Bonds	5	1914	1944	2,250,000	1,648,000
2. Panama External	5½	1923	1953	4,500,000	4,404,000
PERU					
National					
Ten Year Ext. Secured	8	1922	1932	2,500,000	1,724,000
Ext. Sinking Fund Gold Bonds	8	1924	1944	7,000,000	6,592,000
Municipal					
City of Lima	5	1922	1976	250,000	250,000
PHILIPPINES					
———	4½	1922	1952	30,000,000	30,000,000
———	4½	1922	1950	2,750,000	2,750,000
———	4	1916	1946	4,000,000	4,000,000
———	5	1922	1952	5,000,000	5,000,000
Public Improvement Bonds	5½	1921	1941	10,000,000	10,000,000
Manila Public Works and Improvement Boards	5½	1920	1950	6,000,000	6,000,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
	Baker, Kellogg & Co.	
To meet maturing loans and develop water power and public utilities.	Synd. headed by J. P. Morgan & Co.	
To fund short term indebtedness.	Synd. headed by J. P. Morgan & Co.	
To establish dollar credits in U. S., retire short term notes and improve gov't finances.	Synd. headed by J. P. Morgan & Co.	
Chiefly for conversion purposes.	Synd. headed by Blair & Co.	
	Lee, Higginson & Co. and Liberty National Bank of N. Y.	
	Kuhn, Loeb & Co.	To be called in 1926.
	White, Weld & Co. and others.	
Municipal improvements.	Kuhn, Loeb & Co.	
Electric power station and other improvements.	Brown Bros. & Co. and others.	
Municipal gas and electric works and harbor improvements.	Kuhn, Loeb & Co. through International Acceptance Bank.	
	L. F. Rothschild & Co.	Kroner bonds.
	White Weld & Co., Brown Bros. & Co., and Blair & Co.	Guaranteed by City Gov't.
Municipal works.	Harvey Fisk & Sons.	Sterling Loan of £75,000.
R. R. construction.	Synd. headed by J. P. Morgan & Co.	
Highway building, etc.	W. A. Harriman & Co. and Guaranty Co. of N. Y.	Moody (*G. & M.* p. 565) says: "External debt of country is $6,148,000 and consists of bonds issued in the U. S. largely for railway construction."
	Blyth, Witter & Co. and White, Weld & Co.	Secured by taxes from petroleum industry.
Public works constructed by Foundation Co. of N. Y.	Synd. headed by Blyth, Witter & Co.	Gov't revenues to pay this loan to be collected by an agency under management of Foundation Co. *Trade Inf. Bul.* No. 144; apparently a £ issue partly taken in U. S.
	National City Co., Hallgarten & Co.	
	Hallgarten & Co. and others.	
To purchase entire capital stock of Manila R. R.	National City Co.	
	Hallgarten & Co. and others.	
	Synd. headed by Hallgarten & Co.	
	Kuhn, Loeb & Co.	

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING (approx.)
PHILIPPINES (*cont.*)					
Philippine Gov't	5	1925	1955	1,000,000	1,000,000
POLAND					
National					
External Gold Loan	6	1926	1940	19,447,500	19,447,500
Republic of Poland	8	1925	1950	35,000,000	35,000,000
PORTO RICO					
Total bonded debt				17,319,000	17,319,000
RUSSIA—Dollar Bonds Now in Default:					
External Loan	5½	1916	1921	25,000,000	25,000,000
" "	6½	1916	1919	50,000,000	50,000,000
Gov't War Loan of 1916	5½	1916	1916	75,000,000	75,000,000
SALVADOR					
Republic of Salvador	8	1923	1948	6,000,000	5,606,000
SWEDEN					
National					
Gold External Loan	6	1919	1939	25,000,000	25,000,000
Kingdom of Sweden	5½	1924	1954	30,000,000	30,000,000
SWITZERLAND					
Swiss Confederation Ext. Loan	5½	1919	1929	30,000,000	21,000,000
" " " "	5½	1924	1946	30,000,000	30,000,000
" " " "	8	1920	1940	25,000,000	20,000,000
Municipal					
City of Zurich	8	1920	1945	6,000,000	4,920,000
" " Berne	8	1920	1945	6,000,000	5,400,000
URUGUAY					
National					
Sinking Fund Gold Bonds	8	1921	1946	7,500,000	7,480,000
Municipal					
City of Montevideo	7	1912	1952	6,000,000	5,837,000

NOTE: Between October 1, 1925, when this table was closed, and November 1, 1925, the following additional securities of this type were issued in the American market:

Czechoslovak Republic	7½s	due 1945	$25,000,000
State of Wurttemberg, Germany	7s	due 1926–45	8,400,000
City of Dusseldorf, Germany	7s	due 1926–45	1,750,000
City of Heidelberg, Germany	7½s	due 1950	1,500,000
Dep't of Antioquia, Colombia	7s	due 1945	3,000,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
	National City Co.	Total bonded debt of Philippines reported by Moody's in 1924 to be $60,210,000; the bulk of this debt understood to be held in U. S.
	National City Bank. Dillon, Read & Co.	Secured by sugar tax and railway receipts.
		Understood to be held in U. S.; also several small offerings of municipal bonds.
		A rouble loan partly sold here.
	F. J. Lisman & Co.	Although listed here as a $6 million loan, sterling bonds to a much greater amount, another series of the same issue, are held here by former creditors of Salvador, including Minor C. Keith, and the International Railways of Central America.
For purchase of commodities in U. S. Posts, telephone and telegraph, railways, hydro-electric development and agriculture.	Synd. headed by Kuhn, Loeb & Co. Kuhn, Loeb & Co. and others.	
Purchase of commodities in U. S. and payment of other obligations.	Synd. headed by Lee, Higginson & Co.	
	Synd. headed by J. P. Morgan & Co. Lee, Higginson & Co.	
	Synd. headed by Hallgarten & Co. Speyer & Co.	Report this loan to be called in 1926. Report this issue to be retired May 1, 1926.
	National City Co.	
	Dillon, Read & Co.	

V

LOANS FLOATED BY FOREIGN CORPORATIONS AND BY AMERICAN CORPORATIONS WITH MAJOR BUSINESS ABROAD

In addition to placing their money in the bonds of foreign governments, states and municipalities, the citizens of the United States have become more and more interested in investments in the securities of well-established foreign corporations which have come to the American market for loans. Just as in the case of the foreign governmental obligation, the American investor is now being educated by the broker to see that this is a fairly secure form of investment, usually paying a rate of interest higher than that of native corporations.

The following table represents only a few of the bond issues of these foreign corporations now outstanding in the American market. These include public utilities, railroads, banks, industrials. In a few instances, a government guarantee supports the issue.

The list includes also a number of American corporations whose chief business is conducted outside the United States and whose loans are, of course, placed in the home market. In some cases a known quantity of stock has also been listed, in keeping with the practice of the Guaranty Trust Co. and others who have listed these obligations at one time or another.

The sources used are the lists issued annually by the Bureau of Foreign and Domestic Commerce in its *Trade Information Bulletins* nos. 144, 215, and 340, the manuals of Moody and of Poor and Moody, the *Federal Reserve Bulletin,* and various financial journals.

In view of the obvious incompleteness of the list, we are not, as in the case of the government obligations above listed,

interested so much in total figures for the present outstanding obligations of corporations of any one country or all countries, as we are in showing in a general way the distribution of American capital tied up in this type of security which is now becoming increasingly common in the American market.

As in the case of the government loans, a few foreign currency issues are listed where a known amount has been offered and taken in this market.

The Mexican and Canadian issues have been lumped because of their great number but the Cuban sugar and other corporation borrowings have been listed in detail in so far as they are known.

The table follows on pages 36–43.

SOME DOLLAR SECURITIES OF FOREIGN CORPORATIONS OUTSTANDING—OF SOME UNITED STATES CORPORATIONS

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING
ARGENTINA					
Central Argentine Railway	6	1917	1927	$15,000,000	$15,000,000
AUSTRALIA					
Melbourne Electrical Supply Co.	7½	1922	1946	2,500,000	2,500,000
AUSTRIA					
Lower Austria Hydro-Electric Power Co. "Newag"	6½	1924	1944	3,000,000	3,000,000
Mercurbank		1923			2,000,000
Alpine Montan Steel Co.	7	1925	1955	5,000,000	5,000,000
Tyrol Hydro-Electric Co.	7½	1925	1955	3,000,000	3,000,000
BELGIUM					
Solvay & Co.	6	1924	1934	10,000,000	10,000,000
American Congo Co.		1923		510,000	510,000
BRAZIL					
Paulista Railway Co.	7	1922	1942	4,000,000	3,899,500
CANADA (see page 57)					
Total outstanding industrial and railway securities, not including securities of public services and miscellaneous corporations					1,535,000,000
CHILE					
Braden Copper Mines Co.	6	1916	1931	20,000,000	10,724,000
Chile Copper Co.	6	1917	1932	35,000,000	35,000,000
Concepcion Electric Co.	6	1911	1934	127,300	* 100,000
Andes Copper Co.	7	1924	1943	10,000,000	10,000,000
Mortgage Bank of Chile	6½	1925	1957	20,000,000	20,000,000
COLOMBIA					
Mid-Colombian Oil and Development Co.				1,000,000	
Andian National Corporation Ltd.	6	1925	1940	10,000,000	10,000,000
CUBA					
Antilla Sugar Co.	7½	1924	1939	6,000,000	6,000,000
Cuba Northern Railway	6	1924	1966	4,500,000	4,500,000
Caribbean Sugar Co.	8	1922	1926	1,500,000	1,500,000
" " "		1921	——	3,375,000	3,375,000
Beatti Sugar Co.	7½	1923	1942	3,000,000	3,000,000
Francisco Sugar Co.	7½	1922	1942	5,000,000	5,000,000
Havana Electric Railway, Light and Power Co.	5	1922	1954	3,600,000	3,600,000
Cuba Northern Railways	6½	1924	1925–32	1,680,000	1,680,000
Manati Sugar Co.	7½	1924	1942	8,000,000	8,000,000
New Niquero Sugar Co.	7	1922	1932	1,000,000	815,000
Punta Alegre Sugar Co.	7	1922	1937	5,820,700	5,750,000
Vertientes Sugar Co.	7	1922	1942	10,000,000	10,000,000
Baragua Sugar Co.	7½	1922	1947	4,500,000	4,275,000
Camaguey Sugar Co.	7	1922	1942	6,000,000	5,850,000
Eastern Cuba Sugar Corporation	7½	1922	1937	10,000,000	10,000,000
Sugar Estates of Oriente	7	1922	1942	6,000,000	5,850,000
Ermita Sugar Co.	7½	1923	1942	1,200,000	940,000
Warner Sugar Co.	7	1923	1939	6,000,000	6,000,000

ING IN THE UNITED STATES MARKET IN 1925, INCLUDING ISSUES WITH PRINCIPAL BUSINESS CONDUCTED ABROAD

PURPOSE	OFFERING HOUSE OR HOUSES (Usually only leading firm or firms of offering group is mentioned.)	REMARKS
To retire other notes.	Syndicate headed by J. P. Morgan & Co.	
	Lee, Higginson & Co.	£ issue. $2.5 million represents approximate amount held here.
For new construction.	Syndicate headed by F. J. Lisman & Co.	Guaranteed by Province of Lower Austria.
	F. J. Lisman & Co.	Stock.
	F. J. Lisman & Co. and group.	
For redemption and retirement of other bonds then held in U. S.	Lee, Higginson & Co.	
		Stock.
Construction.	Lee, Higginson & Co. and others.	
		Estimate by Dr. Max Winkler, Moody's, 1924.
To increase capital of plant and other expenditures.	Guaranty Trust Co.	
	Converse & Co.	* Estimate. Believed to have been partly retired.
Land and real estate loans, etc.	Kuhn, Loeb & Co. and Guaranty Co. of N. Y.	Amount paid up out of $40 million offered. Gov't guarantee.
		Stock. Pan American Union list, 1923.
	Jesup and Lamont.	
		Stock. Pan American Union list, 1923.
Additional equipment. Extensions and to increase working capital.	National City Co.	
	National City Bank.	
To provide working capital and liquidate current liabilities.		

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING
CUBA *(cont.)*					
Violet Sugar Co.	7	1923	1924–35	679,000	679,000
Sevilla Biltmore Hotel Corporation	7½	1922	1937	2,000,000	2,000,000
Cuba Railway Co.	5	1908–19	1952	13,170,000	13,170,000
" " "		1916	1926	1,950,000	995,000
" " "	7	1920–30		1,700,000	1,530,000
United Railways of Havana	7½	1921	1936	6,000,000	6,000,000
Cuba Cane Sugar Corporation	7	1920	1930	25,000,000	25,000,000
Cuban Sugar Mills Corporation	6	1917	1932	1,500,000	1,201,500
Cuba Mortgage Bank	6	1915	1966	4,000,000	4,000,000
Cia. Azucarera Antilla	7½	1924	1939	6,000,000	6,000,000
Cespedes Sugar Co.	7½	1924	1939	3,000,000	3,000,000
Sugar Estates of the Oriente		1924		2,000,000	
Cuban Dominican Sugar Co.	7½	1924	1944	15,000,000	15,000,000
Ferrer Sugar Co.	7½	1924	1939	1,500,000	
DENMARK					
United Steamship Co., Ltd.	6	1922	1937	5,000,000	5,000,000
Copenhagen Telephone Co.	6	1925	1950	2,000,000	2,000,000
Burmeister and Wain, Ltd.	6	1925	1940	2,000,000	2,000,000
FINLAND					
Industrial Mortgage Bank of Finland	7	1924	1944	12,000,000	12,000,000
FRANCE					
Nord Railway Co.	6½	1924	1950	15,000,000	15,000,000
Paris - Lyons - Mediterranean Railway Co.	6	1922	1958	40,000,000	40,000,000
Paris - Lyons - Mediterranean Railway Co.	7	1924	1958	20,000,000	20,000,000
Paris Orleans Railway Co.	7	1924	1954	10,000,000	9,940,000
" " " "	6	1920	1956	3,275,000	3,183,300
International Power Securities Co.	6½	1924	1954	4,000,000	4,000,000
Midi Railway	6	1920	1960 or before	3,250,000	3,250,000
Framerican Corporation	7½	1923	1942	10,000,000	10,000,000
Est Railway Co.	7	1925	1954	20,000,000	20,000,000
Cie. International des Wagons Lits	6	1922	1955		2,075,000
French National Mail S. S. Lines	7	1924	1949	10,000,000	10,000,000
GERMANY					
Siemens and Halske (Siemens Schuckert-Werke, 3-yr. notes)	7	1925	1928	5,000,000	5,000,000
Siemens and Halske (Siemens Schuckert-Werke, 10-yr. notes)	7	1925	1935	5,000,000	5,000,000
Fried. Krupp, Ltd.	7	1924	1929	10,000,000	10,000,000
Botany Consolidated Mills				1,920,000	1,920,000
August Thyssen (Iron and Steel Works)	7	1925	1930	12,000,000	12,000,000
General Electric Co. of Germany	7	1925	1945	10,000,000	10,000,000
Electric Power Corporation	6½	1925	1950	7,500,000	7,500,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
		* Outstanding June 1, 1921.
		Now partly listed as convertible 8% bonds.
	National City Co. and others.	Preferred stock.
	Brown Bros. & Co. Guaranty Co. and Dillon, Read & Co. Brown Bros. & Co., Blair & Co., and White, Weld & Co.	
	Syndicate headed by Lee, Higginson & Co.	Guaranteed by Republic of Finland.
	Syndicate headed by J. P. Morgan & Co.	
	Kuhn, Loeb & Co., National City Co.	French Gov't Guarantee.
To retire floating indebtedness and pay for improvements, electrification, etc.	Goldman, Sachs & Co., Bankers Trust Co.	French Gov't Guarantee.
	A. Iselin & Co., Brown Bros. & Co., and others.	French Gov't Guarantee.
	A. Iselin & Co., Halsey, Stuart Co. and others.	Issued in francs, 50 million of which were floated here.
	Aldred & Co.	Indirectly connected with General Electric Co. Placed here in 1920. Evidently franc bonds.
For new lines, repairs, improvements, etc.	Dillon, Read & Co. and group.	French Gov't Guarantee.
	Dillon, Read & Co. and Marshall Field, Glore, Ward & Co.	French Gov't Guarantee.
	Dillon, Read & Co.	
	Dillon, Read & Co. Synd. headed by Goldman, Sachs & Co.	
	Dillon, Read & Co.	40,000 shares preferred stock.
	National City Co. Harris, Forbes & Co., Lee, Higginson & Co., Brown Bros. & Co.	

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING
GERMANY (*cont.*)					
Central Bank for Agriculture	7	1925	1950	25,000,000	25,000,000
German-Atlantic Cable Co.	7	1925	1945	4,000,000	4,000,000
GREAT BRITAIN					
Anglo-American Oil Co. (Standard Oil Subsidiary)	7½	1920	1925	15,000,000	10,006,000
GUATEMALA					
International Railways of Central America	5	1912	1972		6,175,000
HAITI					
Haitian Corporation of America	8	1923	1938	3,000,000	2,375,000
HONDURAS					
Cuyamel Fruit Co.	7½	1921	1941	5,000,000	
" " "		1923			3,150,000
HUNGARY					
Rima Steel Corporation	7	1925	1955	3,000,000	3,000,000
ITALY					
Italian Power Co.	6½	1923	1928	2,000,000	2,000,000
Submarine Cable Co.		1923		8,557,000	
Benigno Crespi—Societa Anonima	5	1925	1930–55	4,825,000	4,825,000
JAPAN					
Oriental Development Co.	6	1923	1953	19,900,000	18,770,000
Industrial Bank of Japan	6	1924	1927	22,000,000	22,000,000
Great Consolidated Electric Power Co., Ltd.	7	1924	1944	15,000,000	14,750,000
Great Consolidated Electric Power Co., Ltd.	6½	1925	1950	13,500,000	13,500,000
Toho Electric Power Co., Ltd.	7	1925	1955	15,000,000	15,000,000
Ujigawa Electric Power Co., Ltd.	7	1925	1945	14,000,000	14,000,000
Tokio Electric Light Co., Ltd.	6	1925	1928	24,000,000	24,000,000
LATIN AMERICA (involving several countries)					
International Telephone and Telegraph Corp.		1923		3,425,000	3,425,000
International Telephone and Telegraph Corp.	5½	1925	1945	25,000,000	25,000,000
American and Foreign Power Co.		1923		40,000,000	40,000,000
MEXICO					
Total Corporation Issues (in default)					90,000,000
Total Issues included in 1922 agreement (again in default)					663,000,000
Certain Mexican companies with loans outstanding here as of June 1, 1921 (included in foregoing totals):					
Central Mexico Light and Power Co.	6	1910	1940	1,800,000	(1,778,000)
Michoacan Power Co.	6	1907	1937	5,000,000	(5,000,000)
Mexican Telegraph and Telephone Co.	5	1910	1930	200,000	(200,000)
Institution for Works and Agriculture	4½	1908	1943	20,000,000	(20,000,000)
Mexican Petroleum Co.	8	1921	1936	10,000,000	(10,000,000)

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
	National City Co., Harris Forbes & Co. and Lee, Higginson & Co.	
New cable construction.	W. A. Harriman & Co.	Closed issue.
	J. P. Morgan & Co.	
	F. J. Lisman & Co.	
		Stock.
	F. J. Lisman & Co.	
		Stock.
	J. A. Sisto & Co.	25 million lire issue.
To redeem maturing debenture and for corporate purposes.	National City Co.	Guaranteed by Japanese Gov't.
	National City Bank.	Guaranteed by Japanese Gov't.
	Dillon, Read & Co.	
	Dillon, Read & Co. and Synd.	
	Guaranty Co. of N. Y., Lee, Higginson & Co., and Harris, Forbes & Co.	
Retiring funded indebtedness and increasing capital.	Guaranty Co. of New York and others.	
	Synd. headed by Guaranty Co.	
		Stock.
	Synd. headed by J. P. Morgan & Co.	
		Stock; sold partly in Europe. Covers operations in Guatemala, Cuba and Panama.
		Includes corporate, railroad, etc., as well as gov't, provincial and municipal issues.

COUNTRY	RATE	DATE OF ISSUE	MATURITY	AMOUNT ISSUED	OUTSTANDING
MEXICO (*cont.*)					
Tampico Telephone Co.	8	1923		5,000,000	
NETHERLANDS					
Holland-American Line	6	1922	1947	7,360,000	7,360,000
Anton Jurgens United Works	6	1922	1947	16,080,000	16,080,000
PERU					
Cerro de Pasco Copper Corp.	8	1921	1931	8,000,000	2,755,000
PHILIPPINES					
Philippine Railway	4	1907	1937	4,000,000	4,000,000
" "	4	1909	1939	2,000,000	2,000,000
Manila Electric Railway and Light Co.	4	1903	1953	4,265,000	4,265,000
Manila Electric Co.	7	1922	1942	2,500,000	2,500,000
Manila Railway Co.	7	1922	1937	1,485,000	1,485,000
Manila Port Works	5½	1920	1950	6,000,000	6,000,000
Manila Electric Railway Co.	7	1924	1942	500,000	500,000
PORTO RICO					
Porto Rico American Tobacco Co.	8	1921	1931	3,000,000	
Porto Rico Telephone Co.	6	1914	1944	600,000	
Fajardo Sugar Co.				8,500,000	
Central Aguirre Sugar Co.				6,000,000	
International Telephone and Telegraph Co.		1923		342,500	342,500
SWEDEN					
International Match Co.	6½	1923	1943	15,000,000	15,000,000
VENEZUELA					
Venezuela Petroleum Co.		1924		1,202,500	1,202,500

NOTE: Between October 1, 1925, when this table was closed, and November 1, 1925, the following additional corporate securities were issued in the American market:

Anglo-Chilean Consolidated Nitrate Co.	7s	due 1945	$16,500,000
Rhine-Main-Danube Corp. (German canal company)	7s	due 1950	6,000,000
Sauda Falls, Ltd. (Norwegian chemical company)	5s	due 1955	4,000,000
Rudolph Karstadt, Inc. (German dep't store)	7s	due 1930	3,000,000
European Mortgage and Investment Corp.	7½s	due 1950	2,400,000

PURPOSE	OFFERING HOUSE OR HOUSES	REMARKS
		Stock.
	White, Weld & Co. and Blair & Co.	
	White, Weld & Co. and Blair & Co.	
		Sum of common and preferred stock.
		Stock. Company also operates in Cuba.
	Lee, Higginson & Co. and others.	Called and converted into preferred stock.
		370,000 shares of stock.

VI

STERLING AND FOREIGN INTERNAL ISSUES HELD IN THE UNITED STATES

In the two preceding sections we have listed the external dollar bonds of foreign governments, provinces, cities and corporations. In only a few instances has an item been marked "sterling loan—approximate amounts held in the United States—" or "foreign currency issue, outstanding amounts in this country——." These securities for the most part must be discussed under a separate heading because only in rare instances are the amounts held in the American market known. American investments in a great number of the external sterling or franc securities of foreign countries, as well as their own internal securities payable not in dollars, pounds or francs, but in the native currency, are not given in any lists known to this investigation.

Two years ago in an article in the *Manchester Guardian,* William C. Potter, President of the Guaranty Trust Co. of New York, wrote, "It is almost impossible to estimate the amount of foreign currency issues that have been purchased by our investors since the depreciation of exchanges set in." It is known, of course, that hundreds of these internal securities, both governmental and corporate, have been purchased by American banking houses largely for their speculatively inclined customers, and the buyers have usually gambled on the way exchanges were likely to go in the unstable European market. It is quite impossible, however, to say in what amounts these securities are held in the United States as they are dealt in by dozens of houses and the periodical offering generally gives no idea of the exact quantities actually bought here for sale and speculation.

One can, of course, make guesses. One estimate made in the autumn of 1924 put the approximate amount of this type of

security held here at $600 million, while D. R. Crissinger estimated that foreign currency issues sold here during 1919, 1920 and 1921, amounted to a total of $620 million.[1]

Lists of some of these securities sold in the open market appear weekly in the *Annalist*. By running over these one can get some notion of the field covered. For example the issue of June 3, 1924, lists among the railroad bonds of this type—12 for Canada, 1 for China, 2 for France. Industrial and miscellaneous bonds include 17 for Canada, 1 for Cuba, 1 for Czechoslovakia and 12 for Germany. The list as advertised on October 13, 1924, shows an even wider field covered by the Central European stocks. They can be summarized for three countries as follows:

Poland—6 banks, 1 oil and refinery company, 1 locomotive works, 1 steel works and construction company, 1 car and iron foundry, 1 steel works, 1 linen mill, 1 Portland Cement factory, 1 coal mine, 1 beet sugar refinery, 1 woollen mill.

Austria—6 banks and credit companies, 1 arms plant, 1 motor car company, 1 electrical installation company. (The list on the following week adds—1 water power company, 1 electric cable company, 1 railroad, 1 credit company.)

Germany—5 banks, 6 mining, dye, chemical and electrical companies. (In addition we find the *bonds* of 12 steamship lines, steel works and electrical companies listed.)

In the lists of the *Annalist* for June 30, 1924, we find 70 municipal securities of foreign cities not more than 5 of which are payable in dollars and included in our tables above. Argentina has 5 of these municipal securities listed, Austria 1, Germany 37, Canada 15, Czechoslovakia 2, Denmark 1, Japan 1, Brazil 7.

An even wider distribution is shown in the case of government internal obligations bought and sold in the American market. France, Great Britain, Brazil, Japan, Argentina, Norway, Mexico and the old Russian Empire are heavily represented in this list, while the internals or sterling issues of the following countries are likewise quoted: Austria, Belgium, Bolivia, Chile, China, Colombia, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, Finland, Greece, Germany, Holland, Italy, Poland, Roumania,

[1] *Economic World*, n. s. v. 24, p. 413.

Sweden, Switzerland and Uruguay. Currency and non-dollar issues of all these countries are dealt in by United States brokers and purchased by United States investors.

Some of the more important Latin-American internal and sterling securities which have been sold in the American market may be summarized as follows:

The CHILEAN sterling loan most popular here has been the 5s of 1911.[2] Chilean *cedulas* have also had a wide sale in this market. United States investors have put their money into ARGENTINE 4s 1952, *cedulas* at 6 per cent and the "Unification 4s" as well as the 5s due 1949 and the 5s issued in 1905.

As for BRAZIL: even before the war American bankers participated in sterling bond issues. In 1907 and 1908 an aggregate of £3 million State of São Paulo bonds were sold in New York. Federal funding issues of 1883, 1900 and 1910 are evidently held here to considerable amounts as well as some Rio de Janeiro and São Paulo city issues. It is also reported that Brazilian internals are held by some American insurance companies.

The COSTA RICA sterling 5s of 1911 have been handled in the American market. Of the amount issued, £332,800 is understood to be deposited with the National City Co., and £50,000 is held by the International Banking Corporation.[2]

NORWAY sterling loans have been popular here, especially the 3s of 1886, the 3s of 1888 and the 3½s of 1904.

DENMARK'S sterling loan of 1904 has also been taken up by the American investor.

The same reports could be given on dozens of Latin-American and European countries. A part of most issues of these internals and sterling bonds eventually find their way to Wall Street.

In addition to the internals above suggested one could record from day to day the large number of industrial bonds offered here for the first time by American banking houses. One day we hear that a house has offered a block of the Montecatini Company, an Italian mining and agricultural company. Another day it is the Lower Austrian Discount Co. of Vienna with control over 40 industrial companies in Austria—100,000 shares

[2] Moody's *Governments and Municipals*, 1924, p. 363.

being issued privately in this country. Any regular reader of the financial papers can gain some idea of the number of these issues which are taken up in this country. (For a partial list of the issues taken in 1924 in the New York market see p. 13.)

One might mention also in this connection the foreign currencies themselves which have been purchased here in tremendous quantities for speculative purposes. The purchase of these currencies has constituted, in effect, the export of American capital abroad. It has been estimated that at least $500 million worth of these currencies was brought to the United States and sold here between 1914 and 1922. The amount held here and the worth of them at any one time can only be guessed.

VII

FOREIGN CONNECTIONS OF UNITED STATES BANKS

A. *Foreign Branches of United States Banks.*

THE development of American foreign trade and particularly the growth of foreign branches of American banking institutions since the passage of the Federal Reserve Act,* and the importance of these foreign affiliations lead us to reproduce herewith a list prepared for the Federal Reserve Board, together with the accompanying introductory note: [1]

"This list does not contain the names of institutions having no foreign branches, though organized to finance foreign trade or to undertake foreign financial operations, particularly the two so-called Edge corporations,† organized under section 25 (a) of the Federal Reserve Act. Nor does it include the names of a few banks controlled by American capital and operating in Mexico and Central America under charters granted by the respective foreign governments. The banks are grouped under two general heads—(1) national and other member banks, and (2) all other institutions." [1]

† For example, the First Federal Foreign Banking Association of New York, the Foreign Trade Financing Corporation of New York, 1920, and the Federal International Banking Company of New Orleans, 1920.[2]

1. MEMBER BANKS

Bankers Trust Co., New York, N. Y.
Branches:—
Paris, France

Equitable Trust Co., New York, N. Y.
Branches:—
London, England

* The Federal Reserve Act of 1913 enables national banks with a capital and surplus of at least $1 million to establish branches abroad.

[1] U. S. *Federal Reserve Bulletin*, v. 8, pp. 1298–1299.

[2] Westerfield, *Banking Principles and Practice*, v. 2, p. 309.

Paris, France
Mexico City, Mexico

Representatives * :—
Bombay, India
Calcutta, India
Hongkong, China
Yokohama, Japan
Berlin, Germany

* Do not conduct regular banking business, but execute foreign exchange and investment transactions under specific instructions of Equitable Trust Co., New York.

Farmers Loan and Trust Co., New York, N. Y.

Farmers Loan and Trust Co. (Ltd.), London (two offices). A British company—all stock owned by Farmers Loan and Trust Co., New York, N. Y.

Representatives:—
London, England
Paris, France
(No banking business transacted.)

First National Bank, Boston, Mass.

Branch:—
Buenos Aires, Argentina
Havana, Cuba. (*Established since this list was published: Ed.*)

Guaranty Trust Co., New York, N. Y.

Branches:—
London, England
Paris, France
Brussels, Belgium
Havre, France
Liverpool, England
Antwerp, Belgium

National City Bank of New York, N. Y.

Branches:—
Argentina: Buenos Aires, Rosario
Belgium: Antwerp, Brussels
Brazil: Pernambuco, Rio de Janeiro, Santos, Sao Paulo
Chile: Santiago, Valparaiso
Cuba: Artemisa, Bayamo, Caibarien, Camaguey, Cardenas, Ciego de Avila, Cienfuegos, Colon, Guantanamo, Havana (sub-branches: Caliano, Guatro Caminos), Manzanillo, Matanzas, Nuevitas, Pinar del Rio, Placetas del Norte, Remedios, Sagua la Grande, Sancti Spiritus, Santa Clara, Santiago, Yaguajay
England: London—City Branch, West End Branch

France: Paris
Italy: Genoa
Peru: Lima
Porto Rico: Ponce, San Juan
Russia: Moscow, Petrograd (temporarily closed)
Uruguay: Montevideo, Calle Rondeau (sub-branch)
Venezuela: Caracas
Denmark: Copenhagen (Established since this list was published: Ed.)

2. Other Institutions

American Foreign Banking Corporation, New York, N. Y.

Branches:—
Havana, Cuba
Cristobal, Panama Canal Zone
Panama City, Panama
Rio de Janeiro, Brazil
Mexico City, Mexico

Asia Banking Corporation, New York, N. Y.

Branches:—
Shanghai, China
Hankow, China
Peking, China
Tientsin, China
Hongkong, China
Manila, Philippine Islands
Canton, China
Singapore, Straits Settlements

Bank of Central and South America, New York, N. Y.*

Branch at Hamburg, Germany (Monckeberg, Ecke Paulstrasse)

Owns or controls the following affiliated banks taken over from the Mercantile Bank of the Americas:

Banco Mercantil Americano de Caracas
Venezuela: Caracas, La Guayra, Maracaibo, Valencia

Banco Mercantil Americano del Peru
Lima, Arequipa, Callao, Chiclayo, Piura, Trujillo

Banco Mercantil Americano de Colombia
Medellin, Barranquilla, Bogota, Cali, Cartagena, Girardot, Manizales

National Bank of Nicaragua
Managua, Bluefields, Granada, Leon

Banco Mercantil de Costa Rica
San José

* In 1925, all the stock of this bank was sold to the Royal Bank of Canada.

Empire Trust Co., New York, N. Y.

Branch:—
London, England

Equitable Eastern Banking Corporation, New York, N. Y.

Branch:—
Shanghai, China

Representatives * :—
Bombay, India
Hongkong, China
Yokohama, Japan

International Banking Corporation, New York, N. Y.

Branches:—
China: Canton, Hankow, Harbin, Hongkong, Peking, Shanghai, Tientsin, Darien
Dominican Republic: Barabona, La Vega, Puerto Plata, Sanchez, San Francisco de Marcoris, San Pedro de Macoris, Santiago de Los Caballeros, Santo Domingo City
England: London
France: Lyons
India: Bombay, Calcutta, Rangoon (Burma)
Japan: Kobe, Tokyo (sub-branch), Yokohama
Java: Batavia, Soerabaya
Philippine Islands: Cebu, Manila
Spain: Barcelona, Madrid
Republic of Panama: Colon, Panama
Straits Settlements: Singapore
Haiti: National Bank of the Republic of Haiti, affiliated since 1921

Mercantile Bank of the Americas, New York City: in process of liquidation. (See Bank of Central and South America.)

Mercantile Overseas Corporation, New York City: owns and administers the Mercantile Overseas Corporation in Guayaquil, Ecuador.

Park-Union Foreign Banking Corporation: in liquidation; conducted in the office of the Asia Banking Corporation, New York.

Since this list was printed some changes have taken place in the distribution of American banking branches abroad. Some houses have opened new ones; others have curtailed or sold their branches to other American banks. The number and character of the foreign affiliations of the eleven American banks interested

* (Do not conduct regular banking business, but carry out specific instructions of Equitable Eastern Banking Corporation, mainly in foreign exchange transactions.)

in this type of business are presented in a table by John Oakwood in the *Annalist*.[3] Two new banks, not given in the Federal Reserve Bulletin compilation, are mentioned in this table—the Chase National Bank and the National Bank of Commerce. The disposition of the American Foreign Banking Corporation of New York, the Asia Banking Corporation of New York and the Bank of Central and South America are worth particular attention. The table is as follows:

American Branch Banks and Affiliations Abroad

Bank	January 1924		April 1925	
	Banking Branches	Offices or Affiliations	Banking Branches	Offices or Affiliations
Bankers Trust, N. Y.	1	1	1	2
Chase National, N. Y.	0	0	3	1
Equitable Trust, N. Y.	4	0	4	0
Farmers Loan and Trust, N. Y.	0	3	2	0
First National, Boston	2	1	2	1
Guaranty Trust, N. Y.	6	0	6	0
National Bank of Commerce, N. Y.	0	1	0	3
National City Bank, N. Y.	41	2	40	2
American Foreign Banking Corp., N. Y.	3	0 (Liquidated; branches purchased by Chase National Bank.)		
Asia Banking Corp., N. Y.	8	0 (Purchased by International Banking Corp.)		
Bank of Central and South America, N. Y.	0	5 (Taken over by Royal Bank of Canada.)		
Empire Trust, N. Y.	1	0	1	0
Equitable Eastern Banking Corp., N. Y.	1	0	2	0
International Banking Corp., N. Y.	30	0	31	0
Total	97	13	92	9

As Oakwood points out, this table does not by any means represent the full foreign representation of American banks or present a complete picture of how American banks maintain their foreign connections. "Many of those listed have in addition correspondent relations with native banks in cities in other countries, sometimes covering virtually every business centre in the world; while still other banks conduct their foreign operations entirely

[3] *Annalist*, v. 25, p. 710.

through correspondent foreign banks."[4] One of the best known of the banks which carries on most of its relations abroad through correspondent relations with native banks is the National Bank of Commerce.

B. *Notes on Some Banks and Banking Corporations with Branches or Important Financing Operations Abroad.*

The National City Bank of New York was the forerunner in establishing foreign branches. Its first foreign affiliate was opened in 1915. Over 50 branches are now operating. Through the National City Co. it controls also native banks such as the Banque Nationale de la République d'Haiti.

Another name under which the National City Bank operates in all parts of the world is the International Banking Corporation, organized in 1901 to carry on banking operations particularly in the Far East. It is probably the most important American institution with branches in that region, though the Equitable Trust Co. has also been represented there through the Equitable Eastern Banking Corporation.

The Asia Banking Corporation was organized by the Guaranty Trust Co. to carry on its business in Japan, China and the Philippines. Charles H. Sabin, Chairman of the Board of Directors of the Guaranty Co. is President of the Asia Banking Corporation. Other directors are connected with the Bankers Trust Co., the Standard Oil Co., the Overseas Securities Co., and the law firm of Stetson, Jennings, Russell and Davis. As noted above, the business of this company has been taken over by the International Banking Corporation.

The Foreign Finance Corporation is a J. P. Morgan & Co. concern, all of whose directors are associated with the Morgan firm. It has no branches abroad, but engages in the financing of foreign enterprises.

The Guaranty Trust Co. has an interest in several native banks, its policy being to control these banks as far as possible.

[4] Idem.

The International Securities Trust of America was organized in 1921 by a group of New England bankers, the Guaranty Trust Co. of New York acting as trustee under an agreement dated June 1, 1923. This is advertised as "the first general investment trust formed in the United States," its purpose being to invest in a great many different securities and issue its own securities against them. It is modeled after similar investment combines which have for years supervised the bulk of the overseas investment of the British Empire. In a letter to its shareholders dated December 31, 1924, the trust reported that it had purchased small amounts of securities in some 400 companies in 24 countries including the United States. Among the foreign securities purchased were bonds of governments, states and cities as well as foreign corporate stocks and bonds. The capitalization of the company was reported at $65 million with a bond authorization of $40 million.

This trust is said to be the forerunner of a number of similar combines, since organized or now in contemplation. Many bankers predict a marked increase in this type of company within the next few years.

The American and Continental Corporation was organized simultaneously with the flotation of the German loan [5] to finance industrial enterprises in Europe, particularly in Germany. This new corporation was organized by a group of financial interests, among which were the International Acceptance Bank, Inc., the French American Banking Corporation of New York, Kuhn, Loeb & Co., and Dillon, Read & Co. The authorized capital is $25 million, of which $10 million was initially subscribed.[6] The stock has not been publicly offered.

At the time of its formation, the corporation announced that one of its purposes was "to supply the necessary interim financing until such time as its loans can be replaced either through the accumulated savings in Germany, or by permanent financing through the sale of securities in the United States or abroad." [7]

[5] *World*, N. Y., Oct. 14, 1924.
[6] *New York Times*, Oct. 14, 1924.
[7] *Commercial and Financial Chronicle*, v. 119, p. 1801.

The American International Corporation (1915), referred to above, is a "financing, developing and holding company which may engage practically in any kind of business except banking and operation of public utilities. The purpose of the corporation is to do an international business and for financing and promoting the development of American activities in foreign countries." [8]

The Bank of Central and South America, which took over the business of the Mercantile Bank of the Americas, was formed by a group of powerful New York banking houses including among others J. P. Morgan & Co., Guaranty Trust Co., Brown Bros. & Co., Corn Exchange Bank, J. and W. Seligman & Co., Mechanics and Metals National Bank, and W. R. Grace & Co. As noted above it has since been taken over by the Royal Bank of Canada.

In addition to the several banking institutions just mentioned which are organized to profit in various ways from the current and increasing export of the United States capital surplus, one must not forget the banking houses whose names appear in the tables on pages 20–43. It is these great issuing houses such as J. P. Morgan & Co., Kuhn, Loeb & Co., Blair & Co., Dillon, Read & Co., Brown Bros. & Co., Lee, Higginson & Co., the National City Co., the Guaranty Co. and a dozen others through which the largest foreign financing transactions are conducted. These banking houses and brokerage firms handle the large foreign credits to foreign governments and industries. Through them, for example, in 1924–25 Great Britain negotiated a credit of $100 million, France a similar amount, Italy $50 million, Sweden $25 million, and the Danish National Bank $40 million. Other large foreign credits are extended privately by these great banking houses.

[8] Moody's *Industrials*, 1924, p. 1702.

VIII

OTHER AMERICAN INVESTMENTS ABROAD

The pages of this section attempt to cover some of the "direct investments" which citizens of the United States now maintain overseas. In addition, for some countries, a recapitulation of the other forms of investment previously noted, is made with a view to suggesting the total investment in the given country.

Under each country, American firms are listed which are known to have money invested there in properties, plants, real estate and the like. Often the holding will be in the form of a subsidiary, incorporated in the country, and bearing a native name.

The names of trading firms, sales agencies, retail and wholesale branches, exporting and importing firms and commission agents are, for most of the countries, and with some major exceptions, omitted from the list or are referred to only generally in passing. The Department of Commerce furnishes trade lists of such companies for practically every country in the world, and various export and trade directories contain the names of the many American world-wide selling organizations.

Steamship and express companies and other intercontinental transportation units are usually omitted, as the amount of their investments in foreign lands is confined chiefly to wharves, docks and warehouses. However, in the case of companies having other known interests in the country such steamship and kindred companies are included.

In presenting material concerning the hundreds of companies represented, no uniformity is possible. In some cases the capital invested in the country is given, or the area of the land held; in others the number of factory units involved is given. For

still others the production or output of the company is the only item available. The fact that figures on capital, plant, output and the like vary from year to year dictates the omission of much interesting material under these heads.

This section may prove of most value to those who wish to learn at a glance what types of American firms are interested in any given country. For some countries it is possible that every American interest on the ground is mentioned; for others the research comb may have caught only the outstanding companies; for still others there may be vital omissions in the list. As this is the first time an attempt has been made at this sort of classification, it is naturally but partial and incomplete. Yet, in the degree of its completeness, it is valuable as an indicator of the direction and flow of American industrial capital abroad.

The countries are listed alphabetically, under larger geographic units, as follows: Canada, South America, Mexico and Central America, the Caribbean, Europe, Asia, Africa, Australasia, and Hawaii.

CANADA

Canada is the largest field for the investment of American capital; approximately one-fourth of all the foreign investments of United States citizens are located here.

Figures compiled by the *Financial Post* of Toronto show a tremendous growth in American investments in Canada since the beginning of the war. Comparative pre-war and present figures for all foreign capital in Canada are listed as follows: [1]

	Pre-War	*1923*
U. S. A.	$ 417,143,220	$2,425,000,000
Britain	1,860,000,000	1,890,000,000
Other Foreign	139,589,650	325,000,000
Total	$2,416,732,870	$4,640,000,000

[1] *Financial Post,* Nov. 16, 1923, p. 1.

It is clear from this table that while the British investments in Canada have remained almost stationary during this period, United States capital has increased approximately some six-fold. It may be said that British capital, on the other hand, almost ceased coming to Canada in 1914.[2]

American and British investments in Canada at the beginning of 1924 are listed as follows:[3]

AMERICAN AND BRITISH INVESTMENTS IN CANADA

Items	*United States*	*British*
Public securities	$701,000,000	$456,000,000
General industries	540,000,000	145,000,000
Forests, paper, pulp and saw-mills	325,000,000	60,000,000
Mining	235,000,000	100,000,000
Public utility and service	138,000,000	116,000,000
Railways	370,000,000	745,000,000
Fisheries	6,000,000	3,000,000
Banking and insurance	35,000,000	80,000,000
Mortgages	25,000,000	85,000,000
Land, etc.	50,000,000	100,000,000
Total	$2,425,000,000	$1,890,000,000

Of the manufacturing industries of Canada the American capitalists already in 1920 had a controlling interest in the following:

Copper and smelting	51.7 per cent
Drugs and chemicals	52.
Patent medicines	79.4
Automobiles and accessories	69.2
Paint and varnish	50.1
Artificial abrasives	98.7
Brass and copper	56.6

A detailed picture of the manufacturing situation as between native capital and American and British capital at that time, may be gained from the following table.[4]

[2] *Annalist*, v. 24, p. 244.
[3] U. S. *Commerce Reports*, Nov. 3, 1924, p. 279.
[4] Idem.

OWNERSHIP OF INDUSTRIAL CAPITAL INVESTED IN CANADA IN 1920

Industries	*Total value of securities*	*Percentage* *United States*	*Canada*	*United Kingdom*
Lumber (forest production)	$441,008,000	14.5	72.3	13.1
Lumber (mill production)	266,840,000	19.0	68.3	12.5
Pulp and paper	294,551,000	20.0	69.5	7.4
Central electric stations	292,448,000 [1]	14.6	79.8	4.2
Meat packing	188,005,925	41.4 [2]	57.0 [2]	.2 [2]
Steel furnaces and rolling mills	117,124,000	40.8	57.7	.9
Copper smelting (includes some lead, zinc and nickel)	111,922,000	51.7	13.4	34.0
Agricultural implements	86,393,000	38.8	50.0	10.0
Foundry and machine-shop products	53,611,000	39.8	48.8	11.2
Electrical apparatus	52,666,000	45.1	43.4	9.6
Cotton textiles	51,425,000 [3]	9.5	85.6	.8
Rubber	49,789,000 [4]	36.1	52.3	4.3
Shipbuilding	39,497,000	33.5	37.8	24.9
Liquors, malt and distilled	34,532,000	2.0	89.4	8.4
Flour and cereal mills	34,407,000	3.9	90.8	4.4
Drugs and chemicals	33,171,000	52.0	32.9	14.3
Fish canning and curing	25,936,000	29.4	58.5	12.0
Patent or proprietary medicines	25,013,000	79.4	16.8	.9
Woollen textiles	24,905,000	.4	98.5	1.1
Automobiles and accessories	24,498,000	69.2	30.7	.1
Paint and varnish	23,966,000	50.1	48.3	1.6
Asbestos mining	23,308,000	29.9	63.9	6.2
Leather boots and shoes	22,122,000	.4	99.3	.2
Building and construction	21,934,000	10.3	85.8	3.8
Hosiery and knit goods	19,956,000	6.0	90.3	3.5
Artificial abrasives	11,621,000	98.7	.9	.4
Biscuits and confectionery	10,524,000	4.5	95.2	.3
Leather tanning	9,906,000	.9	99.1	.0
Brass and copper	9,235,000	56.6	43.0	.4
Refined petroleum	6,237,670	53.1 [2]	46.7 [2]	.2 [2]
Car construction	3,854,550	59.6 [2]	40.4 [2]	...
Condensed milk	4,252,680	40.0 [2]	48.5 [2]	.5 [2]
Sugar industry (1919 returns)	19,002,632	17.2 [2]	67.2 [2]	8.4 [2]
Total for specified industries	2,433,661,457	24.4	64.8	9.6

[1] $3,580,000 securities undistributed.
[2] Not included in average.
[3] Distribution of $2,062,500 bonds not known.
[4] $3,600,000 bearer bonds not recorded as to ownership.

It will be noted from the above table that the British had no majority control in any industry but maintained substantial holdings in the smelting and shipbuilding industries as well as in banking, insurance and mortgage investments. Rufus S.

Tucker describes the more recent developments. "Since 1920 a considerable increase has taken place in the amount of industrial capital invested in Canada, and the larger part of this increase has been absorbed by American investors. This is especially true of certain industries, notably pulp and paper. In addition the nickel and asbestos production of Canada, as well as many of its timber products, are now controlled by Americans." [5]

Take the coal industry as one example of American expansion in Canada. In Canadian coal mines United States capital is now considerably greater than the amount invested by British interests. According to the figures for 1921 published by the Canadian Bureau of Statistics the lay-out is as follows: [6]

Capital Invested in Canadian Coal Mines	
Canadian	$86,727,000
United States	25,879,000
Great Britain	18,721,000

And in the British Columbia mines United States capital actually leads the field, holding an investment of $17,238,783 as against the British $13,237,130 and the Canadian $8,546,475.[6]

The number of American branch factories and business concerns in Canada has been variously estimated from 600 to 1600 depending upon the definition of "branch." As Rufus S. Tucker suggests: "In some cases it means entire ownership, in others the holding of a majority of stock, and in still others the holding of merely a controlling interest." [7]

It is obviously impossible to list here the names of these subsidiaries and branches of United States firms in Canada. Typical of the group, however, might be mentioned the subsidiary units of the International Nickel Co., International Harvester Co., International Paper Co., B. F. Goodrich Rubber Co., Aluminum Co. of America, Ford Motor Co., General Motors Co., Studebaker Corporation, American Smelting and Refining Co., Singer Manufacturing Co., as well as the Montreal Locomotive

[5] U. S. *Commerce Reports,* Nov. 3, 1924, p. 279.
[6] *Wall Street Journal,* Nov. 20, 1923, p. 5.
[7] U. S. *Commerce Reports,* Nov. 3, 1924, p. 279.

Works, Canadian Consolidated Rubber Co., and Canadian General Electric Co., all controlled by United States capital.

An indication of the increasing control of American capital over Canadian industry is illustrated in an item from the *Economist:*

"The penetration of American capital into Canadian industry continues at an amazing rate. Following closely upon the absorption by American interests of the large company which provides Calgary and other towns in Southern Alberta with gas, there comes the news that six of the leading baking companies of Canada have been acquired by the Continental Baking Corporation of New York." [8]

These six companies, it appears, will be controlled through a subsidiary Canadian corporation organized by the Continental Baking Corporation, formed in 1924 with a capitalization of $500 million. This is reported to be "the largest and most extensive industrial unit ever set up in the baking business." [8]

[8] *Economist*, v. 100, p. 749.

ARGENTINA

The United States has always held a comparatively small investment in Argentine industry. "Probably $40,000,000 will fairly represent the total American investment in Argentina at the end of 1920." [1] Since then the flow of our capital toward that country has been decidedly faster. The Department of Commerce figures for 1924 estimate some $117 million in government bonds, $17.5 million in municipal bonds, while the industrial investment has grown to at least $100 million.

Measured beside the Argentine investments of certain other countries this $234.5 million is not a tremendous sum but its rate of growth during the years since the war has been significant.

According to Dr. Alberto B. Martinez, the well-known Argentine statistician, the total amount of foreign investment in that country is now estimated at approximately $3,360 million.

[1] Ingalls, *Wealth and Income*, p. 51.

Of this amount "it is reasonable to suppose that about $250,000,000 of American money is now invested in Argentina." [2]

Comparative investments in Argentina for several foreign countries are estimated as follows:[3]

Great Britain	$1,900 million
France	425
Germany	375
United States	250
Holland	150
Belgium	135
Spain	60
Sweden and Norway	25
Italy	25
Other countries	15

The distribution of our $100 million of purely industrial capital in Argentina is chiefly in the following industries and companies:

1. *Meat.*

Large amounts of American capital have been attracted to this industry. The growth of the American investment, as compared with the British and native Argentine, is shown in the fol-

Share of Argentine Meat Trade
(in percentage)

	1909	1911	'13–'14	'14–'16	'18–'20
British Companies	37.0	30.2	24.4	26.4	22.1
Argentine "	27.0	25.1	17.6	14.6	9.8
American "	35.3	44.7	58.0	59.0	68.1

The 1918 production of two British companies not included in this table would change the final figures to

American—57 per cent
British —34

but the net result is apparent, viz. that British companies have only with great difficulty maintained their position and "the American companies have practically swallowed up the Argentine

[2] *Barron's,* Mar. 17, 1924, p. 7.
[3] Idem.
[4] *Labour Monthly,* v. 3, p. 295.

share and have now become the dominating interest in the meat trade." [5]

The American companies line up as follows: *

The Cia. Swift Internacional, which in 1918, after preliminary operations in Argentina, secured a concession authorizing it for 100 years to buy and sell property, install and administer packing houses and similar industries, to buy and sell bonds and shares of Argentina and other countries and to go into the banking business.[7] This company owns the entire stock of the Cia. Swift de la Plata of Buenos Aires, with a capital of $20 million, operating 8 slaughtering and freezing works and distribution plants.[8]

Wilson and Co. controls the Argentine Central Co.

The Morris-Armour interests have a plant at La Blanca.

Armour & Co. de la Plata is the name under which the Armour company operates in Argentina. The company has large plants, one on the La Plata River and the other at Santa Cruz.

2. *Oil.*

The major American company, Standard Oil, is on the ground competing with Royal Dutch and the Anglo-Persian interests,

* These American meat companies, as we shall see, have extensive international connections:

Swift & Co. owns subsidiary companies not only in Argentina but in Brazil, Uruguay, Paraguay, Canada, Great Britain, France, Australia, Cuba and other countries.

Armour & Co. have foreign subsidiaries in Australia, Uruguay, Brazil, Argentina, Canada, Great Britain, Germany, France, Italy, Denmark, Cuba.

Morris & Co. are represented with foreign branches in France, Holland, Norway, Germany, Belgium, Great Britain, Uruguay (now merged with Armour).

Wilson & Co. have controlled companies not only in Argentina but in Great Britain, Brazil, and in other countries under different names.

Cudahy has branches in Australia and Great Britain.

Libby, McNeill & Libby control foreign companies in Canada, Great Britain, France and Cuba.[6]

[5] Idem.

[6] U. S. Federal Trade Commission, *Meat Packing Industry,* Part 1, pp. 287 ff.

[7] *Latin-American Year Book,* 1920, p. 27.

[8] Moody's *Industrials,* p. 2429.

[N.B. In all references to the financial manuals of Moody or of Poor and Moody, the year, unless otherwise specified, is 1924.]

both active. Two Standard companies are operating through local subsidiaries. These two are the Standard Oil Co. of California with an investment of approximately $1 million, and the Standard Oil Co. of New Jersey, the subsidiary of which is the Standard Oil Co. of Argentina. Its capitalization is about $3 million.

3. *Cement.*

The International Cement Corporation controls the International Portland Cement Co. (Va.) which controls through stock ownership the Argentine Portland Cement Co., which has a large plant at Buenos Aires producing daily some 2,000 barrels of cement.[9]

4. *Miscellaneous.*

The Radio Corporation of America is a part owner of the radio station near Buenos Aires.

The Ford Co. has several assembling plants in the country, one in Buenos Aires.

Several colonization companies with moderate amounts of capital are controlled in the United States.[10]

A $35 million contract for financing and constructing street improvements was recently awarded a New York contractor.[11]

Argentine and American capital is interested in the construction of textile mills through Lockwood, Greene & Co.,[12] and Stone and Webster has recently been engaged in the construction of public works.

The Argentine Central Leather Co. is a New Jersey corporation, as is the Corn Products Refining Co. The National Lead Co. is represented by the National Lead Co. of Argentina.

Other important members of the Chamber of Commerce of the United States in Argentina are largely interested in the country as importers and distributors of American-made products.

[9] Ingalls, *Wealth and Income*, p. 51. Moody's *Industrials*, p. 2092.
[10] *Argentine Standard Directory*, 1922.
[11] *Current History Magazine*, v. 20, p. 667.
[12] *Annalist*, v. 24, p. 190.

Many of them own office buildings, factories, warehouses and real estate: The Aluminum Co. of South America, Amsinck & Co., First National Bank of Boston, General Electric Co., International Silver Co., International Harvester Co., National City Bank of N. Y., West India Oil Co., National Cash Register Co., Otis Elevator Co., and dozens of other companies are represented, the list comprising some 190 members representing almost as many firms.[13]

[13] *Comments on Argentine Trade,* July 1924, pp. 31–55.

BOLIVIA

"The United States, which formerly had invested but nominal sums in Bolivia, has now gone extensively into the field, there being now outstanding in the United States about $30 million government bonds (representing four separate issues—see page 20—R. W. D.); American interests have also gone into the tin mining field and are developing the oil resources of the republic. Probably today the United States has as large an interest as any other country." [1]

One can gather from this statement of Mr. Halsey what tremendous strides have been made by American interests since 1912, when Osborne estimated our total Bolivian investment at $10 million as well as since 1920, when the Latin-American Year Book put the United States third in the Bolivian field (after France with $20–25 million and England with $17.5 million) and when Ingalls estimated the total American investment at approximately $15 million.

Today the total American investment in Bolivia is not less than $80 million with probably $50 million of this, as we shall see, invested in tin and oil.

1. *Oil.*

The Standard Oil Co. of New Jersey operates in the Bolivian field through a subsidiary, the Standard Oil Co. of Bolivia

[1] Halsey ms. in the Department of Commerce.

(1921). Its concessions recently acquired cover some 7,400,000 acres and its authorized capitalization is $5 million. This concession runs for 55 years and includes in addition to the oil the right to operate railways, trams, harbors, telephone and telegraph and other public utilities. The lands now held by the Standard Oil were formerly owned by Richmond Levering Co., and the William Braden interests.[2]

The Sinclair Co. is also competing for certain options on Bolivian petroleum lands.[3]

2. *Mining.*

"One quarter of the world's output of tin comes from Bolivia." [4]

The National Lead Co., acting for interests affiliated in the recently organized Patiño Mine Enterprises Consolidated (Del.), acquired for some $30 million vast tin properties including mines and a railroad in Bolivia. The new company will control 80 per cent or more of the tin production of Bolivia.[5] The Williams Harvey Corporation of New York, in which the National Lead Co. has an interest, is associated in this enterprise. Less than 10 per cent of the capital investment in Patiño Mine Enterprises is American, but the National Lead Co. owns outright a tin-mining concern, Cia. Minera de Llallagua.[6]

The Caracoles Tin Co. of Bolivia is an important unit in the Guggenheim interests,[7] which own some six tin mines in the Inquisivi Province.[8]

The International Mining Co., organized by W. R. Grace & Co., covers 3,500 acres in the Yungas region.[9]

The Andes Tin Corporation also owns well-equipped tin mines.

The South American Electric Smelting Co., of which Minor

[2] U. S. *Special Agents Series,* no. 208, p. 141.
[3] Ibid., p. 142.
[4] Moody's *Governments and Municipals,* 1925, p. 47.
[5] *Boston News Bureau,* Aug. 29, 1924.
[6] Moody's *Industrials,* p. 1955.
[7] *Wall Street Journal,* Feb. 19, 1924.
[8] U. S. *Special Agents Series,* No. 208, p. 122.
[9] Ibid., p. 136.

C. Keith, the founder of the United Fruit Co., was the first president, has taken over the Bolivian property of the Standard Smelting Co. of Pittsburgh.[10]

The Department of Commerce informs us that "An important new tin mining company, largely American . . . and with a capital of 3,000,000 sterling, is commencing operations near Potosi." [11] This is apparently another American interest.

3. *Miscellaneous.*

The National Match Factory of Bolivia, with main offices in London, has American money in it.[12]

Americans constructed the Bolivian Railway (incorp. 1907) and still hold some of its securities.

American interests in 1921 made arrangements to finance and build the railroad that will connect the Bolivian system with that of Northern Argentina.

Certain financial houses such as Chandler & Co. and the Equitable Trust have handled government loans for railway financing.[13]

An American firm in 1922 accquired for colonization a concession totaling some 300,000 hectares in eastern Bolivia.[14] Several other American development and colonization companies are at work in Bolivia.

Cable service and some telephone connections are handled by All America Cables, Inc., [15] and American construction companies such as Ulen & Co. of New York have recently been engaged in public works in the country. Ulen & Co. constructed and financed the sewer system in the cities of La Paz and Cochabamba and took $2,250,000 in Bolivian government bonds in payment for the work. The company is also financing and constructing for the government a railway 128 miles long and costing about $10 million.

[10] *Iron Age,* v. 97, p. 562.
[11] U. S. *Commerce Reports,* Mar. 24, 1924, p. 802.
[12] *Latin-American Year Book,* 1920, p. 26.
[13] U. S. *Special Agents Series,* No. 208, p. 77.
[14] U. S. *Trade and Economic Review,* 1922, no. 25, p. 2.
[15] U. S. *Special Agents Series,* no. 208, p. 101.

BRAZIL

With the exception of Chile there is more capital from the United States invested in Brazil than in any other South American country. "It is estimated that American capital invested in Brazil now amounts to upwards of $300 million." [1] The bulk of the investment is in government, state and municipal bonds. The distribution of the American investment in the dollar obligations of Brazil is estimated in 1923 as follows: [2]

Bonds of Brazilian Federal Union and District	$104,316,000
Bonds of States	27,761,000
Bonds of Municipalities	15,338,559
Paulista Railway Bonds	3,619,032
Total dollar bonds outstanding	$151,034,591

This figure is less than that estimated later by the Department of Commerce some time after our investment in this type of Brazilian obligation had considerably increased.

United States capital in industrial enterprises was estimated in 1918 at approximately $50 million and by the Department of Commerce at $100 million in 1925.

1. *Mining.*

The United States Steel Corporation has extensive interests in the manganese mines of Brazil. In 1920 it purchased a large property in the State of Minas Geraes which is operated by the Cia. Meridional de Mineração, a Brazilian Corporation, all of the stock of which is controlled by the United States Steel Corporation.[3] This company had in 1922 by far the largest production of manganese ore in the country, amounting to 201,352 metric tons.[4]

"American interests controlling properties in Brazil have incorporated as the Brazilian Iron & Steel Co." [5]

[1] Moody's *Governments and Municipals,* 1925, p. 54.
[2] *Wall Street Journal,* Aug. 27, 1923.
[3] *Bankers' and Investors' Manual,* 1923–24, p. 685.
[4] U. S. *Trade and Economic Review,* 1922, no. 46, p. 6.
[5] U. S. *Special Agents Series,* no. 169, p. 186.

Certain American bankers are directors of important British-controlled steel companies in Brazil and suggest an American investment in these companies, though the exact amount is not known.

The United States Steel Corporation also operates a number of steamers, and the Berwind Coal Co. has established depots in the country.[6]

2. *Meat Packing.*

Wilson & Co. owns some of the shares of the Continental Products Co., the Brazilian Land and Cattle Co. retaining some 55 per cent and the control.

Swift & Co. was authorized in 1917 to carry on a packing business under the name of Companhia Swift do Brazil.

Armour & Co. in 1923 completed a large refrigerating plant at São Paulo. It has another important plant at Santa Anna.

3. *Public Utilities.*

United States capital has been connected with the financing of the Brazilian Traction, Light and Power Co. operating most of the public utilities at Rio de Janeiro and at São Paulo. Other public utilities while registered in the United States and employing some American technical help and machinery have been largely financed in England.

Percival Farquhar and other Americans have held important technical and managerial positions with the Brazil Railway Co. and similar public utilities.[7]

The Foundation Co. and similar American construction companies maintain offices in Brazil, and American banking interests have $15 million invested in the bonds of the Sorocabana Railway in the province of São Paulo.

4. *Miscellaneous.*

In the Pernambuco District American capital is invested in the cottonseed oil mills of the Rosslock Brazil Co. and the bunkering establishments of the Coloric Oil Co. which distributes

[6] Elliott, *Brazil: Today and Tomorrow,* p. 296.
[7] Warshaw, *New Latin America,* pp. 306–32.

petroleum and by-products in South America with stations in five Brazilian cities.

Other investments of American capital are in shipping companies such as the Federal Express Co., coffee, cables, wholesale and retail stores and the general mercantile business.

The exploitation of vegetable oils is in the process of development by certain Pittsburgh interests which in 1923 took over the plans of the Northeast Brazil Proprietary and Development Co.

Explorations for rubber, timber, vegetable oil and iron concessions have been recently under way by American interests. These concessions when granted will mean the construction of railways and more navigation.[8]

The National City Bank of New York has four branches in the country (see p. 49).

Some of the important firms associated with the American Chamber of Commerce in Brazil, in addition to those above mentioned, are the Atlantic Refining Co. of Brazil, Du Pont de Nemours Co., International Machinery Co., Standard Oil Co. of Brazil, Singer Sewing Machine Co., Worthington Pump and Machinery Co., United Shoe Machinery Co., United States Steel Products Co., General Electric Co., American Foreign Banking Corporation, Radio Corporation of America, D. P. Robinson & Co., Ulen & Co., All America Cables, Inc., and Westinghouse Electric and Manufacturing Co. Several of these operate branch plants, as does also the Middletown Car Co., the American Rolling Mills Co., and the S. S. White Dental Manufacturing Co.

The Diamond Match Co. owns stock in companies manufacturing matches in Brazil.

The Ford Co. has branch plants, one at São Paulo and one at Pernambuco, and the General Motors Co. has a large plant.

An interest has been acquired by the American International Corporation in Sociedade Anonyma Marvin, incorporated in the Republic of Brazil.[9]

At least 75 firms are interested substantially in the sale of

[8] *Wall Street Journal*, Aug. 27, 1923.
[9] American International Corporation, *Report to Stockholders*, 1925, p. 7.

North American products to the Brazilians, practically all of these firms maintaining branches in Brazil, some of them branch plants as well as warehouses.

Two English-language newspapers, *The Brazilian American* and *The River Plate American,* are owned by American interests.[10]

[10] American Chamber of Commerce for Brazil, *Year Book,* 1920.

CHILE

In 1912 the United States had approximately $15 million invested in Chile.[1] By the end of 1920, according to Ingalls, six American companies had invested $119 million in copper, iron and nitrate mines, and the total American investment was then estimated at $200 million.[2] Since 1921 investors in the United States have purchased Chilean external bonds to the amount of $62 million and some $5 million worth of Chilean internal bonds, while some American money is in Chilean sterling bonds originally issued in London, according to a statement of the Department of Commerce. At the same time the industrial investment has advanced rapidly until it now represents some $350 million, which, with the government securities of one kind or another held in the United States, makes a total of over $400 million, the aggregate United States investment in Chile.

The great increase in trade between Chile and the United States is due to "American investments in Chilean securities and industries," according to the *New York Times,* and "Chile's present position as the second copper producing country in the world is directly attributed to American capital invested in that enterprise." [3]

The chief American investments in Chilean industries are as follows:

1. *Copper.*

"Ambassador Collier at Santiago, Chile, reported last week that American capital invested in Chile copper occupied an outstanding

[1] *North American Review,* v. 195, p. 689.
[2] Ingalls, *Wealth and Income,* p. 53.
[3] *New York Times,* Dec. 25, 1923.

position. Of a total of 177,000 tons produced 157,000 were taken out by American interests."[4]

The Anaconda Copper Co. (Guggenheim control) operates one of its Chilean properties through the Chile Copper Co. in which it acquired a controlling interest in 1923. The mine of this company is the largest single copper producing mine in the world. Chile Copper has also the largest ore resources of any copper property in the world. Besides its mines, mills and smelters, the Chile Copper Co. owns power plants, steamships, etc. Its dividend to Anaconda in 1923 amounted to $5.5 million.[5]

Another Chilean property of Anaconda Copper is worked by its subsidiary the Andes Copper Mining Co., with an estimated 128 million tons of ore property.[6] The Andes Copper Co., a holding company, also identified wth Anaconda, has options on other Chilean properties and owns the stock of the Potrerillos Railway.

A third Anaconda mine is operating at Santiago through the Santiago Mining Co.[7]

Two other Chilean subsidiaries of the Anaconda are the Chile Exploration Co., a subsidiary of the Chile Copper Co., and the Chile Steamship Co.

The Braden Copper Mines Co., controlled by the Kennecott Copper Corporation (Guggenheim interests), owns property consisting of 101 claims, approximately 1200 acres of mineral land, together with concentrating and smelting plants, tramways, water and electric power, town sites, ranches, dwellings, warehouses, and a railroad. The capital stocks and bonds authorized amount to about $35 million.

The American Smelting and Refining Co. controls several copper smelters and converters and mining properties, one at Caldera.[8]

[4] *Annalist,* v. 24, p. 190.
[5] *Barron's,* June 2, 1924, p. 12.
[6] Moody's *Industrials,* p. 1737.
[7] Chile-American Association, *Reciprocal Trade and Resources of Chile and the U. S.*
[8] Moody's *Industrials,* p. 841.

The American Metal Co. owns the entire stock of the South American Metals Co. of Chile,[9] operating copper smelters.

2. *Iron.*

The Bethlehem Steel Co. has invested at least $15 million in Chile through the Bethlehem-Chile Iron Mines Co. The property is equipped to produce 1 million tons of iron ore per annum. The company has built a railroad and a harbor for shipping its ores to the United States.[10]

3. *Nitrate.*

United States companies are becoming increasingly important in this field. W. R. Grace & Co.* has an interest in two or three nitrate properties. The Du Pont Nitrate Co. (Del.) owns and operates the nitrate property of E. I. Du Pont de Nemours & Co. in the Taltal district. Approximately $2 million worth of stock is outstanding in this enterprise. The Du Ponts are the principal owners of the Chile Explosive Co.

The Atlas Powder Co. is also working on some nitrate mines.

The Anglo-Chilean Consolidated Nitrate Corporation was recently formed by Guggenheim Brothers to develop their nitrate properties and exploit their special nitrate leading process. This company took over the entire plant and equipment of the Anglo-Chilean Nitrate and Railway Co., a British company. When all extensions are completed this property will represent an investment of $30 million.

4. *Miscellaneous.*

Other American companies associated with Chilean industry are:

* This company owns nitrate properties, cotton mills, sugar plantations and mills, traction, light and power companies in Chile and Peru and it is reported that it has offices in every country of Central and South America. As bankers, merchants, importers, exporters and steamship owners and operators it covers the globe. Some of its associated foreign companies are:—Nitrate Agencies Co., Grace-American International Corp., Grace China Co., International Drug Co., International Machinery Co., Grace Nitrate Co., Cartavio Sugar Co., New Orleans and South American Steamship Co., Cuba Motor Co., Guayaquil Agencies Co., and Venezuela Commission Co.

[9] Ibid., p. 836.

[10] Ibid., p. 1794. Bethlehem Steel Co. *Annual Report*, 1924, p. 26.

The Ford Co.—assembling plant.

W. R. Grace & Co. has an interest in cotton, sugar and woollen mills, chain grocery stores, warehouses and port equipment, and International Machinery Co. does a large business in electrical supplies.

Wessel, Duval & Co., engaged in industrial financing and trade operations, are owners of the West Coast Line running between New York City and Valparaiso.

Guggenheim Bros., besides controlling the Braden Copper Co., Chile Exploration Co., Chile Copper Co., and the nitrate properties above mentioned, operates the Sherman Steamship Co.

Other members of the Chile-American Association are J. P. Morgan & Co., National City Bank, Blair & Co., Westinghouse Electrical International Corporation,* and International General Electric Co. American interests also control the one English-language paper in Chile, the *Southern Pacific Mail.*

All America Cables, Inc., has a thirty year contract with the government of Chile to establish and maintain radio transmitting stations.

COLOMBIA

Americans have invested in more than $13 million worth of Colombian government, state and municipal securities. The total investment in all other forms of holdings is estimated by the Department of Commerce at $70 million. The total number of American dollars in the country would therefore run well over $80 million. The rapid increase in our holdings can be appreciated from the fact that Osborne gave our total Colombian investment in 1912 at $2 million,[1] while Ingalls in 1920 estimated all American holdings at $30 million.[2] It is evident that the total has nearly trebled in the last four years.

The relations between our capitalists and the Colombia government have been particularly cordial, especially since the payment

* The Westinghouse Co. and allied interests were in 1922 awarded the contract for electrification of the Chilean State Railroad between Valparaiso and Santiago, involving an expenditure of $10 million.

[1] *North American Review,* v. 195, p. 689.
[2] Ingalls, *Wealth and Income,* p. 53.

of the $25 million by our government for the territory taken for the Panama Canal. Oil and other concessionaires have been hospitably treated and the Americans have been asked to send financiers to help Colombia overhaul its state finances.

1. *Oil.*

The first American company to be successful in striking oil in Colombia was the Tropical Oil Co. of Pittsburgh,[3] whose holdings, the DeMares Concession of 2 million acres, were later taken over by the International Petroleum Co., a subsidiary of Standard Oil of New Jersey. The recent completion of a 360-mile pipe line will make this company one of the largest producers of oil in the world. The authorized shares of Tropical Oil amount to $50 million, $40 million of which have been issued, the International Petroleum Co. owning 98 per cent of the amount.[4] The Standard Oil interests "are spending millions of dollars in developing the immense acreage recently bought from the Tropical Oil Co." The property is estimated to comprise between 2 and 3 million acres, for which the Standard interests paid $25 million. More than $25 million is now being spent in developing this property.[5] And *The Lamp* reports on the large refinery and tank farm at Barranca-Bermeja, as well as the Standard's oil fueling stations at all the principal Colombia river ports.[6]

Another Standard Oil company is the Latin American Petroleum Co., with some 600,000 acres in Colombia. Other Standard Oil subsidiaries, including the Carter Oil Co., are in the field.

The Creole Syndicate has substantial holdings.[7]

The Colombia Syndicate holds leases on one million acres. A part of its shares are owned by the Tidal Osage Co., controlled by the Tide Water Oil Co. Control of the Colombia Syndicate is now in the hands of the Atlantic Gulf and West Indies Steamship Co. (A *Wall Street Journal* dispatch reports that the South American Oil and Development Co. will develop the Colombia

[3] U. S. *Special Agents Series,* no. 208, p. 120.
[4] Davenport and Cooke, *Oil Trusts and Anglo-American Relations,* p. 226.
[5] *Petroleum Age,* v. 3, May 1921, p. 72.
[6] *The Lamp,* v. 7, Aug. 1924, p. 12.
[7] *Wall Street Journal,* Oct. 5, 1923.

oil properties of the Colombia Syndicate. The South American Oil and Development Co. is controlled by British and American oil men, among the Americans being the Standard Oil Co. of Indiana.[8])

The Cities Service Co. (Henry L. Doherty & Co. interests) owns $3,750,000 of the $5 million stock of the Colombia Petroleum Co., owners of the entire capital stock of a local subsidiary with a concession covering one and a half million acres.[9] "American banking and business interests are reported to have acquired 50 per cent of the royalty interest of the Barco concession, heretofore owned by the General Barco estate. . . . The concession covers oil, coal and other hydro-carbon rights. . . . Lease on the concession is held by the Colombia Petroleum Company." [10] The rest of the stock of Colombia Petroleum is owned by the Carib Syndicate, which also owns one-fourth of the shares of the Colon Development Co. (a Royal Dutch subsidiary) with 4.5 million acres of Colombia oil land for development. In addition the Carib Syndicate controls or owns oil development contracts on approximately 2 million acres of additional lands now in the process of exploration and development. The Carib Syndicate owns also the Equatorial Oil Co. operating in Colombia.

The Emerald Oil Co. also is interested in Colombian oil land.[11]

The Granada Oil Corporation (Md.), an American corporation with an authorized capital of $5 million, has a subsidiary working in Colombia—the South American Gulf Corporation. The Granada Corporation also exploits directly 135,000 acres on a 40-50 year lease.

The Mid Colombia Oil and Development Co. (Pittsburgh) holds leases on approximately 920,000 acres.

The Central American Petroleum Co. holds 4 million acres in Colombia and Honduras.

The Royal Dutch Shell interests, in which there is a minority American investment, are also well represented in Colombia.

The Union Oil Co. of California owns over 400,000 acres.

[8] Ibid., April 2, 1925.
[9] Poor and Moody, *Public Utilities*, p. 1661.
[10] *Annalist*, v. 25, p. 639.
[11] Moody's *Industrials*, p. 1245.

Other strictly American companies which have tracts or options, or have explored the Colombia field with a view to operations, are the Island Oil and Transport Co., The Gulf Co., the Sinclair Oil Corporation, Ohio Cities Gas Co., Bome Oil Co., Atlantic Oil Co., and other firms, some of them affiliates of Standard Oil.

2. *Mining.*

The South American Gold and Platinum Co., controlled by the Lewisohn interests, has an authorized capital of $10 million.[12] The subsidiaries of the company operate on a property of 10,000 acres of mineral land and 50 miles of river bottom land, with an output in 1912 of 14,327 oz. platinum and 4,462 oz. gold.

The Breitung Mines Co. (Del.), with $1.5 million capital, have a gold and silver property here [13] (reported out of business).

The Anglo-Colombia Development Co., of New York, a combination of British and American interests, engages in dredging for platinum. There is one other American gold exploring company, as well as one company formed in the United States to develop the emerald mines.[14]

3. *Food Products.*

The American International Corporation is interested through two separate companies, one of them G. Amsinck & Co.—exporters and importers—in packing plants and the coffee growing business.[15]

Through the Colombia Products Co., the International Products Company controls a packing plant worth $3.5 million with a capacity of 175,000 head of cattle a year. It is interested also in operating a railway, a wharf, and farm lands.

The Cincinnati Coffee Co. is interested in coffee and sugar development.[16]

The United Fruit Co. in 1923 had an investment of $4,642,466

[12] Ibid., 1923, p. 1379.
[13] *Latin-American Year Book,* 1920, p. 245.
[14] Ibid., p. 249.
[15] Moody's *Industrials,* p. 1703.
[16] *Latin-American Year Book,* pp. 238 ff.

in Colombia, its acreage running over 80,000 in banana lands partly developed.[17]

The Atlantic Fruit Co. is also engaged in undertaking banana land development in Colombia that will involve an investment of some $4 to $5 million.

4. *Public Utilities and Railways.*

The West Indies and Colombia Electric Co. is managed and owned by Americans. It operates the electric lighting and power plant at Santa Marta with about $100,000 invested. The same company controls the telephone system of Barranquilla.

A syndicate headed by Samuel Insull and former Senator Lorimer now claims extensive holdings in Colombia. In return for each mile of railroad constructed, it is reported the syndicate secures the right to exploit 210 acres of proven petroleum lands for 50 years. This may be the same American syndicate reported in August, 1924, as having "submitted two proposals to the Colombian Government to build and operate a standard-gauge railroad from Bogota to the Atlantic."[18] In addition to railroads and oil, the Insull group is reported to be interested in the development of iron, coal, lumber, limestone, chemicals and packing houses.

Americans are interested in the Cauca, or Pacific Railway running through a valley containing rich coal and mineral deposits, and the equipment used on this road is largely American.[19]

The Tropical Radio and Telegraph Co. operates a station in Colombia.

American engineering and construction companies have important contracts for extensions on the Antioquia and other railways, the money for which is being raised chiefly in Wall Street. American bankers are also behind the Andian National Corporation. The Foundation Co. is one of the companies engaged in construction work. Ulen & Co. was appointed by Dillon, Read & Co. to do a $3,750,000 job for the City of Bogota in connection with the $6 million loan floated in the United States in 1924.[20]

[17] United Fruit Co., *Annual Report*, 1923.
[18] *Current History Magazine*, v. 20, p. 849.
[19] Halsey, *Railway Expansion in Latin America*, p. 71.
[20] *Annalist*, v. 24, p. 422.

ECUADOR

Our investments in Ecuador are now estimated at $30 million, or six times the figure set by Ingalls in 1920.[1] The major interests of the United States capitalists in the country are as follows:

The South American Development Co. mines gold, most of which is exported to this country. The output in 1922 was worth nearly a million dollars.[2]

Oil exploration is being carried on by American companies. The Andian Corporation of New York and a Canadian company hold some concessions in the Ecuador fields. The other American companies are reported to be preparing to drill. The largest property, however, is that of the International Petroleum Co., consisting of 125,000 acres. The International Petroleum is controlled by the Imperial Oil Co., a Standard Oil subsidiary.

The Standard Oil Co. of California is also interested in business in Ecuador.

The American Fuel Oil and Transportation Co. is reported to have leases on 1,792,000 acres.[3]

The Mercantile Overseas Corporation of Guayaquil is owned and administered by the Mercantile Overseas Corporation of New York City.[4]

Americans own the majority of stock of the Guayaquil and Quito Railway Co., operating the only important railroad in the country, some 278 miles long.[5] (A report that this railroad is soon to pass under government control appeared in the *New York Times,* May 9, 1925.)

The railways of the country were built largely by American, British and French capital. Two of the public utility companies of Quito are registered in America, one of them, an electric tram line, having been constructed by J. G. White & Co. of New York,

[1] Ingalls, *Wealth and Income,* p. 54.
[2] U. S. *Trade and Economic Review,* 1922, no. 23, p. 5.
[3] *Petroleum Register,* 1923, p. 400.
[4] U. S. *Federal Reserve Bulletin,* v. 8, p. 1299.
[5] Halsey, *Railway Expansion in Latin America,* p. 63.

which has also done important work at the port of Guayaquil and acted as banker and trader.

The Ecuador Breweries Co. is a New York concern.

The American and Foreign Power Co. in 1925 purchased the local light and power company, serving the city of Guayaquil and its electric railways. Extensive improvements are planned.[6]

[6] *Wall Street Journal,* Mar. 10, 1925, p. 7.

GUIANAS

The estimated amount of American capital in the Guianas in 1920 was $5 million.[1] The Aluminum Co. of America has put about $3 million into bauxite mining in Dutch Guiana, its mines being operated by the Surinaamsche Bauxite Maatschappij, 100 per cent of the stock of which it owns.[2]

The Aluminum Co. of America has also penetrated British Guiana. It owns 100 per cent of the stock of Demarara Bauxite Co., Ltd.[3] Mexican Panuco Oil Co. is at work in the British section.

American capitalists have invested about $2 million in gold mines in the Dutch section. Other American capital has entered the lumber, rubber and rice growing industries. For example, W. B. Kann, a Philadelphia capitalist, holds large timber concessions in Dutch Guiana.

[1] Ingalls, *Wealth and Income,* p. 54.
[2] *Mineral Industry,* 1923, p. 32. U. S. Federal Trade Commision, *Report on House Furnishings Industry,* v. 3, p. 93.
[3] Idem.

PARAGUAY

This is the one country of any importance in Latin America in which North American interests have invested comparatively little. No dollar securities of national, state or local governmental bodies have been floated in the New York market. However, the figures for the total industrial investment may run as high as $20 million, for one company alone, the International

Products Co., "is understood to have put about $15,000,000 in the country for quebracho, cattle and meat packing." [1]

The International Products Co., which is controlled by the American International Corporation, is interested in developing forest land, marketing woods and extracts, buying, raising and dealing in cattle. It owns or controls 1,800,000 acres of lands estimated to contain 2 million tons of quebracho wood. It owns a modern packing plant and several smaller plants, quebracho extract plants, 60 miles of railway, 60,000 head of live stock.[2] The International Products Steamship Corporation, a subsidiary, owns lines for transporting the output of the company.

The interest of other American companies in the meat packing industry is understood to have declined in recent years, the companies having sold out to British interests.

After the International Products Co., the next largest owner of land is reported to be "Tex" Rickard of New York City, whose property is situated in the Department of the Chaco.

In addition there are numerous small holdings of American citizens, the total of which, however, would probably not exceed $100,000.

[1] Ingalls, *Wealth and Income*, p. 54.
[2] Moody's *Industrials*, p. 627.

PERU

Halsey in 1918 estimated the total American investment in Peru at $50 million.[1] The Department of Commerce in a preliminary estimate made for its own purposes early in 1924 considered this total too small.

"For one thing the Cerro de Pasco Copper Mining Co., completed a new smelter at Croza which represents an investment of $10 million; the American Vanadium Co. has also added to its investment since Halsey wrote his report. The Guggenheim interests have acquired some silver and copper properties . . . the All American Cables Co. has put up an office building in Lima." [2]

[1] U. S. *Special Agents Series*, no. 169, p. 322.
[2] Halsey ms. in the Department of Commerce.

The above items are pointed out as justifying the Department's estimate of $90 million as the American investment in Peru. (Ingalls' figure in 1920 was $85 million.) It is probable that $100 million represents the total investment in 1925. On that assumption, the distribution of the total foreign investment in the country, including external bonds of foreign capital, comes out as follows:

Great Britain	$125 million
United States	100
Italy	40
Others	25

1. *Mining.*

The greatest American interests, of course, are in copper mining. Such reports as the following are typical of the development in Peru:

"An American corporation is reported to have secured a two-year option on a large mining property, said to contain enormous deposits of copper. Geologists and engineers of the company are now engaged in making an extensive inspection which may cover a period of over a year." [3]

The Cerro de Pasco Copper Corporation controls some 730 mineral claims comprising 5,900 acres. It owns the largest copper producing mine in Peru and one of the most important in Latin America. The production in one month—Sept. 1923—was as follows: [4]

Gold	5,000 oz.
Silver	1.5 million oz.
Copper	11 million pounds.

In addition to this mine the company owns a railway, other mines, extensive hacienda property (some 70,000 acres), water rights, power sites and 108 coal mining claims. Its coal mining

[3] U. S. *Commerce Reports,* Mar. 23, 1925, p. 670.
[4] *Financial World,* v. 40, p. 643.

property altogether involves some 1,865 acres.[5] The company owns also 30,000 shares in the American Metal Co.

The Northern Peru Mining and Smelting Co. operates silver, gold and other mines in Peru.[6] It is a subsidiary of the American Smelting and Refining Co.[7]

The Anaconda Copper Mining Co., through its subsidiary the Andes Copper Co., has secured options on mining property, now being exploited.[8]

The Vanadium Corporation of America, with a capitalization of $14 million, controls in Peru six mining claims with over 30,000 acres.[9] These claims contain the largest vanadium ore deposits in the world and produce 92 per cent of the world's output.[9]

The Inca Mining Co. has invested considerable sums in mining and is one of the largest gold mining concerns in the country.

The Santo Domingo Gold Mines have holdings in southern Peru.[10]

2. Oil.

The Standard Oil Co. of New Jersey is represented in Peru by the International Petroleum Co., to which the Peruvian government in 1924 granted a concession covering 700,000 additional acres. This company had entered the field earlier and had managed to acquire the shares of the four most important British companies.[11] Its properties now cover over 1,000,000 acres.

Today the International Petroleum controls 70 per cent of the Peruvian petroleum output, the British companies 27 per cent and Italy 3 per cent.[12]

The *Annalist* reports that the Standard Oil Co. of New Jersey

[5] Moody's *Industrials,* p. 873.
[6] Ibid., p. 841.
[7] American Smelting and Refining Co., *Annual Report,* 1924, p. 13.
[8] Moody's *Industrials,* p. 1737.
[9] *Bankers' and Investors' Manual,* 1923–24, p. 696.
[10] U. S. *Commerce Reports,* Jan. 15, 1923, p. 168.
[11] Moody's *Industrials,* 1923, p. 2114. L'Espagnol, *World Struggle for Oil,* p. 157.
[12] Idem.

controls approximately 90 per cent of all the exported petroleum of Peru, and states:

"The petroleum resources of the country are under the control of United States interests—either by direct ownership or purchase contracts." [13]

3. *Miscellaneous.*

American capitalists have been associated with the building of railroads in Peru for many years. It is not known to what extent they are now interested in these properties. They are also investors in lumber companies.

The two principal cotton mills of the country are owned by W. R. Grace & Co., which operates also large sugar estates and handles the export and import business of several American concerns.

The Foundation Co. has executed several construction contracts for the government and now has a contract for paving and sanitation work for some 32 Peruvian cities, as well as other public works involving governmental expenditure of some $25 million. The $7 million loan floated in the United States in 1924 was largely for public works under construction by this company, which has a trained field force here as well as in fifteen other foreign countries covered by its operations. The Foundation Co., on behalf of the Government, operates the cement plant of the Peruvian Portland Cement Co. and is the largest user of cement in Peru.

A contract for the construction of hotels and other buildings has been awarded to an American firm,[14] and the construction of new docks at Callao is to be financed and engineered from New York.

The Diamond Match Co. (Ill.) [15] and other American companies have lesser interests in Peru, chiefly through the ownership of stock in local companies.

The Radio Corporation of America has stations in the country,

[13] *Annalist*, v. 23, pp. 414, 445.
[14] U. S. *Commerce Reports*, June 2, 1914, p. 563.
[15] Moody's *Industrials*, 1923, p. 1737.

and the National City Bank and Wessel, Duval & Co. represent other outstanding American interests.

URUGUAY

The investment of United States capital in Uruguay has more than doubled since 1920, when the estimated total was put at $20 million.[1] Today the United States markets hold some $7.5 million of national loans and $6 million of municipal securities besides a considerable amount of sterling and internal issues. Approximately $30 million of our capital is invested in industrial enterprises, the outstanding of which are as follows:

The International Portland Cement Co. through the Uruguay Portland Cement Co. has a large investment at Montevideo including lime quarries and a plant with a daily producing capacity of 81,800 barrels.

The Cia. Swift Internacional (affiliated with Swift & Co.) owns the entire capital stock of the Cia. Swift de Montevideo.[2] The Armour interests also have a plant, and the Armour-Morris combination runs a refrigerator car service and cold storage plants through local subsidiaries.

A large power plant is under construction at Rio Nigro by an American firm, the cost being some $15 million, American capital participating with the government in the enterprise. American capital is interested in other public works including bridges and power stations.[3]

All America Cables, Inc., and Western Union Telegraph Co. are both represented in the cable field. Ford has a foreign branch plant, and the Mexican Petroleum Company operates fuel distributing stations. The capital of the branch of the National City Bank is $483,000 with deposits of $801,936. Construction work has been carried on by MacArthur Bros. and Ulen & Co. of New York, the latter company having in one year financed and built complete water supply and sewer systems in three cities.

[1] Ingalls, *Wealth and Income*, p. 55.
[2] Moody's *Industrials*, p. 2429.
[3] U. S. *Commerce Reports*, Feb. 11, 1924, p. 405.

VENEZUELA

American investments in Venezuela have piled up steadily during the last dozen years. Osborne's estimate in 1912 was $3 million.[1] Ingalls placed it at $40 million in 1920.[2] The Department of Commerce estimates it at $75 million in 1924. Probably one half of this is invested in oil alone, the rest in sugar financing (Venezuela Sugar, Petare Sugar, etc.), mines, banks, and public utilities.

1. *Oil.*

Oil is the big Venezuelan opportunity. The oil output of the country has been steadily rising. In millions of barrels it has risen by the following steps:[3]

1921	1.4
1922	2.3
1923	3.6
1924	9.1

One writer estimates that "investments in the Venezuelan oil fields now total between $120,000,000 and $130,000,000."[4]

American capital is steadily pushing into a field hitherto almost the exclusive concession of the British companies.

With the exception of the Royal Dutch Shell Co., all of the following companies are controlled by United States capital or have placed most of their capital shares in this country.

Maracaibo Oil Exploration Co. holds concessions through six subsidiary units on more than a million acres of oil land. It is under an agreement with the Standard Oil Co. of New Jersey by which the latter develops a certain area in return for a controlling interest therein.[5]

South American Gulf Oil Co. secured in 1923 a contract to

[1] *North American Review*, v. 195, p. 689.
[2] Ingalls, *Wealth and Income*, p. 55.
[3] *Magazine of Wall Street*, v. 34, p. 549; v. 35, p. 672.
[4] Ibid., v. 34, p. 549.
[5] Moody's *Industrials*, p. 1405.

develop certain properties including about 100,000 acres of the Maracaibo Oil Exploration Co.[6]

General Asphalt Co. leased for 99 years through its subsidiary, the New York and Bermudez Co., an asphalt lake with more than a thousand acres of asphalt; also some 12,000 acres surrounding the lake.[7] The capitalization of General Asphalt is approximately $20 million. It holds also 24.82 per cent control in the Burlington Investment Co., which controls among other British companies the Caribbean Petroleum Co. (capitalization, 1922, $27 million) and the Venezuela Oil Concessions, Ltd.

Royal Dutch Shell Co. through its subsidiaries, the Colon Development Co., the Caribbean Petroleum Co., and others, controls the most valuable concessions and is the oldest company operating. Americans, however, own but an insignificant minority investment in Royal Dutch Shell.

Lago Petroleum (Del. 1923) has a property consisting of 116 concessions totalling some 2,800,000 acres. In 1924 it acquired the British Equatorial Oil Co., Ltd., with a capital of $1 million outstanding. It is reported to be the largest American oil company shipping out of Venezuela.[8]

New England Oil Refining Co. owns all the stock of the Assonet Oil Storage Co., which in turn owns the entire capital stock of the New England Oil Corporation, Ltd., which controls rights and equities on approximately 210,000 acres of oil concessions in the Maracaibo district.[9]

The Sinclair Exploration Co. has a 25-year concession on lands of the British Controlled Oil Fields, a Royal Dutch company.

The Venezuelan Gulf Oil Co., subsidiary of the Gulf Oil Corporation of Pittsburgh, has some 325,000 acres acquired on a royalty basis from other companies.[10]

Standard Oil Co. of New Jersey, through one of its subsidiaries, the American British Oil Co., is developing on a 1/8 royalty basis for 10 years certain concessions owned by the

[6] *Wall Street Journal,* Apr. 20, 1925.
[7] *Latin-American Year Book,* 1920, pp. 631–2.
[8] Moody's *Industrials,* p. 1374. *Magazine of Wall Street,* v. 34, p. 567.
[9] Moody's *Industrials,* p. 2231.
[10] *Magazine of Wall Street,* v. 34, p. 550.

British Controlled Oil Fields Co.[11] The Standard Oil Co. of Venezuela, a subsidiary of the Standard Oil Co. of New Jersey, has acquired already some 83,000 acres and has two producing wells in operation.[12] We have noted above the arrangement between the Standard and the Maracaibo Oil Exploration Co.

The Creole Syndicate has holdings in oil lands. Its properties consist of 11,961 acres net.[13] The Caribbean Syndicate (Del.), controlling the Caribbean Co. of Maine and closely connected with the Texas Co., also operates in Venezuela. Its capital shares are largely held in America.

The Marland Oil Co., like the Creole Syndicate, leases its properties on a royalty basis.

Other American companies in the Venezuelan oil fields are the following:

Pantepec Petroleum Co. (1924); stock issued—$3 million. Subsidiaries are the Venezuela Pantepec Company, Mexican Pantepec Company, S. A., and American Pantepec Petroleum Corporation, all 100 per cent owned. It holds 53⅓ per cent interest in 22,768 acres in one place and 37,050 acres in the Maracaibo Basin.

The Texas Co. held 6 concessions on some 225,000 acres in 1924.

Atlantic Refining Co. and the Standard of California, through the Richmond Petroleum Co., recently entered the field to swell the Standard Oil interests, and the International Petroleum Co. (Standard subsidiary) is finishing a pipe line in 1925.

Venezuelan Petroleum Co. (1924), with four concessions comprising some 115,000 acres and a royalty on 24,374 acres owned by the Venezuelan Gulf Oil Co., a subsidiary of the Gulf Oil Corporation.

Orinoco Oil Co., a subsidiary of the Pure Oil Co. of Ohio. Approximate holdings cover 18,500 acres.

Beacon-Sun Co., the producing subsidiary of the Sun Oil Co. of Philadelphia and the Beacon Co. of Boston. Properties con-

[11] Ibid., p. 567.
[12] Idem.
[13] Idem.

sisting of 55 concessions of approximately 1,750,000 acres. Five wells are being drilled.

The Mexican Investment Co. (Va.) has a lease on a large undeveloped territory.

2. *Mining.*

The coal and magnesite deposits of the country have been explored by American capital.

The Maracaibo Coal Co., a subsidiary of the Caribbean Coal Co., an American company, mines coal in the River Limon district. The Caribbean Coal Co. also has a concession to extend a railroad here.[14]

The Magnesite Products Corporation of New York and Philadelphia has practically a legal monopoly on the magnesite deposits on Margarita Island.[15]

The American Magnesite Mining and Manufacturing Co. owns another claim; another holding is in the hands of the American Carbon Co.[16]

3. *Miscellaneous Enterprises.*

The Maracaibo Electric Light Co., an American corporation, has been operating since 1886 with a capital of approximately $500,000.

The Maracaibo Electric Street Railway Co. line is now operated by a syndicate with 50 per cent of its capital American.[17]

All America Cables, Inc. has important interests in the country, and certain sugar enterprises are financed in America.

MEXICO

Some notion of the amount of our total investment in Mexico and its growth over a period of years may be gained by considering the following estimates gleaned from a variety of sources and authorities, official and unofficial.

[14] U. S. *Special Agents Series*, no. 212, p. 214.
[15] Ibid., p. 90.
[16] Idem.
[17] Ibid., p. 188.

These total figures are but rough approximations. Their accuracy depends much upon the skill of the "authority" in determining what proportion of the authorized and issued capital of the enterprises represents actual investment. However, they may be taken in relation to each other and considered as fairly reliable guesses. The wide variation is due to the fact that some figures represent capitalization, others value and still others the actual money invested.

In 1902 a careful estimate by the United States consul in Mexico, Andrew D. Barlow, read: "Five hundred million dollars gold is in round figures the American capital invested in Mexico." [1]

In 1907, it was estimated by the United States Bureau of Manufactures that "American investments in Mexico aggregate probably more than $750,000,000." In the same report: "Of the total investments in Mexican railways eighty per cent belongs to Americans." [2]

Wilfred H. Schoff,[3] in 1911, placed the figure at a round billion dollars.

A year later, Marion Letcher, the United States consul at Chihuahua, put the total American investment at $1,057,770,000 and the British investment at $321,301,800.[4] As the figure for the total wealth of Mexico at that time was $2,434,241,422 it would appear that United States investors owned nearly half of it. John Barrett, former Director of the Pan-American Union, gave the same figure for the American investment. However, certain bankers familiar with Mexico pointed out that a large part of the American share invested in the Mexican National Railways was placed there by British citizens through American banks, which would make it appear that the bonds were registered in the name of United States citizens. For this reason they estimated that probably $700 million covered, at that time, the amount of American investment in Mexico.[5]

[1] *Mexican Year Book*, 1920–21, p. 167.
[2] Idem.
[3] *Annals*, v. 37, p. 643.
[4] *Mexican Year Book*, p. 168.
[5] *Annalist*, v. 1, p. 166.

Since 1913 many estimates have been made, based on little more than partisan speculation. For example Albert B. Fall, when Chairman of the Senate Sub-Committee on Mexican Relations, put the American investment at a billion and a half, while figures by Cabrera and Salinas of the Carranza government indicated an even higher figure for American holdings.[6]

The latest estimate from a government source comes from the Finance Division of the Bureau of Foreign and Domestic Commerce in a statement issued to the press June, 1924, which puts the total of our industrial and commercial investment in Mexico at roughly a billion dollars, adding the estimated amounts known to be tied up in Mexican Government obligations.

In view of the tremendous development in oil and the growing interest in mines, lands and public utilities, we are inclined to base our present estimate on a still more recent set of figures issued semi-officially by the Department of Commerce. Though only the roughest approximations, and in the case of government bonds underestimated, they show at least the present relative importance of our various interests in Mexico:

Government bonds	$ 22 million*
Railroads	160
Mining and smelting	300
Oil lands and refineries	478
Manufacturing	60
Wholesale and retail stores	50
Plantations and timber	200
Banks, telephones and telegraph companies, light and power companies and tramways.	10
Total	$1,280 million

*Not including provincial and municipal bonds held here.

Considering only the bonded debt of the country, several authorities have estimated that American citizens hold one-fifth of the total debt, distributed as follows: 17 per cent of the railway bonds, 28 per cent of the direct government obligations, 22 per cent of the municipal bonds and 19 per cent of the internal government bonds (see page 40).

[6] Beals, *Mexico*, p. 233.

1. *Oil.*

Oil, as the table indicates, leads the field.

Pierre L'Espagnol de la Tramerye estimates that 70 per cent of the capital invested in the Mexican oil fields is American in origin, while the Anglo-Dutch share is only 27 per cent.[7] Other figures for the relative British and American investment in Mexican oil have shown approximately the same ratio, the American interest usually running at least twice that of the British. The greatest number of leases and concessions are, of course, held by United States citizens, and in 1919 "American companies produced about 70 per cent of the Mexican crude oil production," according to William S. Culbertson.[8]

Moody's opinion on oil is as follows: "The petroleum industry in Mexico is valued at more than $1,000,000,000, according to official figures. The exact figures as of March 10, 1923, are $1,050,532,434, of which American oil magnates own $606,043,239, or 57.7 per cent. British capital has $354,776,199 invested or 33.8 per cent of the total." [9] This figure, which is more than a hundred million higher than that given in the table above, includes wells, tanks, pipe lines and equipment as well as land owned by American companies.

At least 300 oil companies organized in the United States, Britain or Mexico are at work in the Mexican fields. Most of them are incorporated in the United States. Below are mentioned a few of those believed to be owned or controlled by American capital. In view of the lack of uniformity in the information it has been impossible to make any satisfactory table that would show at a glance the relative size of the different companies and their complete and exact relationships. However, a statement from the Mexican Secretary of the Treasury, January, 1923, gives the names of companies, both American and European, in their order of importance on the basis of export tax paid and production in barrels for the year 1922. The companies as mentioned in their order of importance are: Huasteca,

[7] L'Espagnol, *World Struggle for Oil*, p. 125.
[8] *Annals*, v. 112, p. 106.
[9] Moody's *Governments and Municipals*, p. 518.

Mexican Gulf Oil, Transcontinental, Corona, Mexican Eagle, International Petroleum, Texas Company of Mexico, Atlantic Gulf Oil, Freeport and Mexican Fuel Oil, Island Oil and Transport, Cortez Oil, Penn-Mex Fuel, East Coast Oil, New England Fuel Oil, Atlantic Lobos, Continental Mexican Petroleum, Empire Transport and Oil, National Oil, U. S. Mexican Oil, Surfsure Oil, Pierce Oil, Panuco-Boston Oil, Tal Vez and Terminal Union.

In the following list, the companies, at least the larger ones, are also arranged in the order of their importance:

Mexican Petroleum Co., Ltd. (Del.) is the largest and most important American company; it operates through Mexican Petroleum Co. (Cal.) and other subsidiaries. In the spring of 1925 the properties of the Mexican Petroleum Co., controlled by the Pan-American Petroleum and Transport Co., were sold by the Doheny interests to a new company, the Pan-American Eastern Petroleum Corporation. A syndicate headed by Blair & Co., and dominated by the Standard Oil Co. of Indiana, holds control in this new company which also acquires the stock of the British Mexican Petroleum Co., a Doheny company which has a controlling interest in the British Equatorial Oil Co. and Lago Petroleum Co. Concerning this oil deal, then under negotiation, the *New York Times* reported: "Acquisition of the Mexican oil properties will give the Standard Oil Co. of Indiana second rank among the larger oil companies of the world, exceeded only by the Standard Oil Co. of New Jersey." [10] The Mexican properties represented in this transaction were estimated conservatively to be worth over $125 million and to cover between 1.5 million and 2 million acres of producing or prospective oil lands. Daily production is estimated at 150,000 barrels.

Mexican Petroleum Co. (Cal.) was the first company to secure the commercial production of oil in Mexico. It owns storage facilities for a million barrels, 80 tank cars, pipe lines and refineries and a tanker fleet second in size only to that of the Standard Oil of New Jersey.[11] The Mexican Petroleum Co.,

[10] *New York Times,* Mar. 11, 1925.
[11] *New York Times,* May 12, 1925. Moody's *Industrials,* p. 2278.

Ltd. (Del.) controls among other companies the important Huasteca Petroleum Co., with an authorized capital of $15 million and approximately 1,050,000 acres with tanks, wharves and steamers.[12] It produced in 1922 over 15 million barrels. Other Mexican Petroleum subsidiaries are the Tamiahua Petroleum Co. and the Tuxpan Petroleum Co.

The more important Standard Oil companies operating in Mexico directly or through subsidiaries are Transcontinental Petroleum Co., one of the heaviest producers, Atlantic Lobos Oil Co. (controlling Cortez Oil Corporation), Port Lobos Petroleum Corporation, New England Fuel Oil Co., Atlantic Refining Co., Atlantic Oil Producing Co., Panuco-Boston Oil Co., and the recently acquired Doheny companies referred to above.

The Atlantic Refining Co. has a subsidiary, Atlantic Oil Shipping Co., interested in the large Producers Terminal Corporation at Tampico;[13] the Atlantic Lobos Oil Co., controlled by Atlantic Refining Co., owns some 140,374 acres in the Mexican light oil fields. It has $20 million preferred stock outstanding.[14] The New England Fuel Oil Co. has transferred some of its extensive leases to Magnolia Petroleum Co., also a Standard Oil subsidiary. A New England Fuel Oil subsidiary has a lease on 1500 acres, about half of which it has sub-leased to Corona Oil Co., a Royal Dutch company.[15] The Panuco-Boston Oil Co. has a proven area of 500 acres and an unproven one of 15,000 and a capital of $1 million.[16]

The extent of the various interests in Mexico of the Standard of New Jersey is suggested by a statement in *The Lamp:* "We have a pipeline system handling about 100,000 barrels a day of heavy crude, some two-thirds of which we produce ourselves."[17]

Sinclair Consolidated Oil Corporation owns concessions on more than 1 million acres, some 150,000 of which are now producing.[18] Sinclair concerns operating in Mexico are Freeport and

[12] Moody's *Industrials,* p. 2278.
[13] Ibid., p. 1764.
[14] *Petroleum Register,* 1923, p. 394.
[15] Moody's *Industrials,* p. 1451.
[16] *Petroleum Register,* 1923, p. 397.
[17] *The Lamp,* v. 7, Feb. 1925, p. 7.
[18] *Oil Trade Blue Book,* 1923, p. 234. *Petroleum Register,* 1923, p. 110.

Mexican Fuel Oil Corporation and International Petroleum Co., both among the largest producers in the country. The Mexican Seaboard Oil Co. holds most of the shares of International, which directly and through several subsidiaries owns over 6 million acres of fee and leasehold land with 12 producing wells, 12 drilling and 11 locations. It also controls a Mexican company with pipe lines, tanks and storing stations.[19] Freeport and Tampico Fuel Oil Transportation Co. is the Sinclair subsidiary, operating tankers and pipe lines, through which the Freeport and Mexican Fuel Oil Corporation is controlled.[20]

In addition to the fast-growing Standard and Sinclair interests the following important American companies may be mentioned:

Texas Co. of Mexico has 17,000 acres leased in the Panuco and Tuxpam fields, 5,000 in fee, and 231,000 acres leased in unproven regions. The total investment of the company is over 5 million pesos.[21] It is one of the heaviest producers among the independents.

Marland Oil Co. (Md.): Morgan interests own the majority of stock in this company with concessions on 15 million acres. It operates through several subsidiaries.[22]

Gulf Oil Corporation (Mellon interest) operates, through subsidiaries, wells and pipe lines in Mexico and holds all the capital stock of several companies including Mexican Gulf Oil Co., one of the largest producers, South American Gulf Oil Co., and Panama Gulf Oil Co.[23]

Atlantic Gulf Oil Corporation, common stock $20 million, is controlled by Atlantic, Gulf and West Indies Steamship Lines and owns 11 wells with a daily average of 18,000 barrels, and leases on 35,000 acres in producing areas. It also owns a refinery, pipe lines, docks, tanker fleets, etc.[24]

New National Oil Co. is controlled by the Penrose interests of Philadelphia. It owns over 30,000 acres of leases together with

[19] Moody's *Industrials*, p. 2197.
[20] *Petroleum Register*, 1923, p. 396.
[21] U. S. Congress, 66: 2; *Sen. Doc.*, v. 9, p. 536.
[22] Moody's *Industrials*, p. 2183.
[23] Ibid., p. 2048.
[24] Ibid., p. 1762. *Petroleum Register*, 1923, p. 180.

cars, pipe lines, storage tanks, railroads, river transport and several Mexican subsidiaries.[25]

Cities Service Co. (Henry Doherty interests) controls the following companies:—

(a) Cities Fuel and Power Co., controlling Empire Pipe Co. of Mexico.[26]

(b) Cia. de Gas y Combustible "Imperio."

(c) Cia. Emmex de Petroleo de Gas.

(d) Cia. Terminal de "Imperio."

(e) Cia. de Terrenos Petroliferos "Imperio"—leases on 20,000 acres.[27]

(f) Empire Pipe Line Co.

(g) Gulf Coast Corporation.

(h) Holden Evans Steamship Co.

(i) Lagunita Oil Co. (Tampascas Oil Co.)

(j) National Petroleum Co.

(k) Southern Fuel and Refining Co.

(l) Sentinel Oil and Gas Co.

South Penn Oil Co., a Standard Oil unit which should have been mentioned among the other Standard companies above, owns the majority of the stock in Penn-Mex Fuel Co., the latter controlling 160,000 acres, terminals, pipe lines and railroads.[28]

Mexican-Panuco Oil Co. with a capital of $3 million, produced 143,976 barrels in 1923; it has storage and pipe-line facilities and subsidiaries.[29]

Pierce Oil Corporation has lands and a plant in Mexico. One of its subsidiaries is Mexican Fuel Co.[30]

Mexico Oil Corporation, capital stock $15 million, owns entire stock of Cia. Nueva de Petroleo Mexicana with leases on 25,000 acres, and Neunhoffer & Co. with leases on 5,000.[31]

Island Oil and Transport Co., controlled by A. B. Leach &

[25] Moody's *Industrials*, p. 1454.
[26] Poor and Moody, *Public Utilities*, p. 1653.
[27] Ibid., p. 1661.
[28] Moody's *Industrials*, p. 2386.
[29] Ibid., p. 674.
[30] *Petroleum Register*, 1923, p. 104.
[31] Moody's *Industrials*, p. 674.

Co., has several Mexican subsidiaries and a capital of $30 million covering also properties in Cuba and Colombia. Capuchinas Oil Co., one of its subsidiaries, has rights on 7,925 acres.[32]

Port Lobos Oil Co., with subsidiaries and $2 million capital, owns some 6,636 acres.

Other American companies of apparently lesser importance, but all controlled by American capital, are the following:

Gulf Consolidated Oil Corporation—capital issued, $2.9 million, and 30,000 acres.[33]

East Coast Oil Co., controlled by Southern Pacific R. R.[34]

Mexican Investment Co., controlling Otontepec Petroleum Co., with terminal at Tampico and leases in south fields of Mexico.[35]

Union Oil Co. of Cal. controls the Union Oil Co. of Mexico.[36]

Gulf States Oil and Refining Co., controlled by Middle States Oil Corporation, has refineries and subsidiaries.[37]

Caltex Oil Co. (Nev.), stock $2.5 million; lease, option and royalty on 471,761 acres.[38]

Mexican Producing and Refining Co. (Del.), owning some 32,000 acres, with wells, terminals, railways, and the entire stock of two other Mexican oil companies.[39]

General Petroleum Co., controlling Continental Mexican Petroleum Co.[40]

Hidalgo Petroleum Co., over $1 million capital.[40]

Noco-Mexican Oil Co., controlled by North American Oil Co. through the Noco Petroleum Co.[41]

Interocean Oil Co., with a plant at Tampico.[42]

Curyon Oil Co., $1 million capital, 472 acres.[40]

Tex-Mex Fuel Oil Co. with subsidiary.[40]

Eastern Oil Corporation with subsidiary.[40]

[32] *Petroleum Register*, 1923, p. 394.
[33] Ibid., p. 396.
[34] Ibid., p. 395.
[35] Ibid., p. 397.
[36] Moody's *Industrials*, p. 2455.
[37] Ibid., p. 2202.
[38] *Petroleum Register*, 1923, p. 394.
[39] Moody's *Industrials*, p. 1424.
[40] *Petroleum Register*, 1923, pp. 394–8.
[41] Moody's *Industrials*, p. 1458.
[42] Ibid., p. 627.

Boston Mexican Petroleum Trust.[43]
Boston-Mexican Leasing Co.[40]
Ventura Consolidated Oil Fields.[44]
Lewis Oil Corporation—28,000 acres.[45]
New York-Mexican Oil Co.[40]
National Oil Co.[40]
Kumfort Oil and Gas Co.[40]
Mexican Oil Co.[40]
Federal Oil Co.—8,000 acres.[40]
Equity Petroleum Corporation.[40]
Casiano Petroleum Co.[40]
Sun Oil Co., S. A., a subsidiary of the Mexican Sun Oil Co.[40]
Tuxpan Oil Co., controlled by Producers Oil Corporation of Mexico.[46]

2. *Mining and Smelting.*

Our second largest interest in Mexico is in mining and smelting, the chief investments being owned by the Guggenheim, Green and Ryan interests and the Phelps Dodge Corporation. Out of a total of approximately $460 to $500 million invested in mines and smelters in Mexico, various authorities agree that the American share must be at least $275 to $300 million. We have used the higher figure in the table on page 91. Our interests are from five to six times as large as the British, which come second in this field. The four chief American companies are the following:

(a) American Smelting and Refining Co. (Guggenheim controlled) represents one of the largest capital investments in Mexico, very conservatively estimated at $30 million, and operating over 30 mines directly and through subsidiaries. According to the latest statement this company through American Smelters Securities Co. owns 2 silver mines, 1 silver and lead mine, 1 silver and copper mine, 1 lead and zinc, 1 silver, lead and zinc, 2 silver, lead and copper, 1 gold, silver, lead and zinc,

[40] *Petroleum Register*, 1923, pp. 394–8.
[43] Moody's *Industrials*, p. 1121.
[44] Ibid., p. 2508.
[45] Ibid., p. 652.
[46] Ibid., p. 1509.

1 copper, silver, lead and zinc. In addition it has the following mines leased or owned in part: 2 silver, 1 silver and gold, 1 silver, lead and copper and 1 silver, lead and zinc. It has the following smelters in Mexico: lead, 4 (19 furnaces with daily capacity of 3,300 tons); copper, 3 (15 furnaces with daily capacity of 3,200 tons).[47]

Some of the producing units controlled by the American Smelting and Refining Co. are:

1. National Metallurgical Co.
2. Rosita Coal and Coke Co.
3. Mexican Northern Mining and Railroad Co., organized in 1923 to take over the properties of Alvarado Mining and Milling Co., with 4 mines in Mexico, mill sites and 700 acres.[48]
4. Towne Mines, Inc., which owns or controls the various mines and mineral, railways, land and lead companies formerly under Cia. Metallurgica Mexicana of which George Foster Peabody is President and Treasurer. It represents an investment of some $12 million. One of the best paying subsidiaries of Guggenheim Bros. is the Great National Mexican Smelting Co.

(b) Phelps Dodge Corporation, the second mining interest in importance, operates through a Mexican subsidiary, the Moctezuma Copper Co., owning 2,500 acres in Sonora, 38 mining claims, and a concentrator with a daily capacity of 2,000 tons. In 1919 it produced 27,943,000 pounds of copper, 432,000 ounces of silver and 2,211 ounces of gold.[49]

(c) Next comes the Green Cananea Copper Co., capital $50 million, a holding corporation for a number of companies operating in Mexico. It is controlled by the Cole-Ryan Syndicate.[50] Its production in 1919 amounted to 41,404,810 pounds of copper, 1,759,790 ounces of silver, 9,168 ounces of gold. The Department of Commerce has estimated its Mexican investment very conservatively at $10 million.

(d) American Metal Co. owns the entire stock of one

[47] Moody's *Industrials*, pp. 841–2.
[48] Ibid., p. 841.
[49] U. S. Geological Survey, *Mineral Resources*, 1919, pt. 1, pp. 537–614.
[50] U. S. Congress, 66: 2; *Sen Doc.*, v. 9, p. 62.

important Mexican company, Cia. Minera de Penoles, with an investment estimated at $15 million and 90 per cent of the stock of another; and it operates also on a lease the properties of the San Toy Mining Co.[51] The American Metal Co. is the largest coke producer in Mexico and stands second in the production of lead. It produces also silver, gold and coal. It leases and operates also the Mexican Northern Railway.[52]

In addition to the four major mining companies, just mentioned, dozens of other American companies are represented among those exploiting the 32,000 patented mining claims in Mexico. A few of them follow:

United States Smelting, Refining and Mining Co. controls three copper, lead, gold, silver and zinc mines, and has a substantial interest in three others.[53]

Bethlehem Steel Co. has a subsidiary in the Cia. de Minas de Fierro "Las Truchas," S. A.[54]

General Development Co. (a Lewisohn company) holds stock in the South American Gold and Platinum Co. and other mining properties in Mexico.[55]

The Consolidated Copper Mines Corporation owns 99 per cent of the stock of Giroux Consolidated Mines Co. with claims in Sonora.[56]

United Eastern Mining Co. (Ariz.) in 1922 acquired a controlling interest in an El Tigre group of gold claims in Mexico.[57]

Howe-Sound Co., a holding company with 53,000 shares in the El Potosi Mining Co., with silver mines, also owns nearly all the stock of the Chihuahua Mining Co. The Howe-Sound Co. owns also the entire stock of the Calera Mining Co., with 3 mining claims in Mexico.[58]

[51] Moody's *Industrials*, p. 836.
[52] Powell, *Railways of Mexico*, p. 36.
[53] Moody's *Industrials*, p. 2491.
[54] Ibid., p. 1794.
[55] Ibid., p. 1277.
[56] Ibid., p. 1188.
[57] Ibid., p. 798.
[58] Ibid., p. 1332.

Guanajuato Reduction and Mines Co. owns 2 mills and a cyanide plant.[59] (Protective committee in charge.)

Lucky Tiger-Combination Gold Mining Co. owns all the capital stock of Tigre Mining Co. operating a gold and silver mine at El Tigre, 936 acres of mineral rights, 55,718 acres of surface rights, and a 20-stamp mill with a capacity of 200 tons daily.[60]

Canario Copper Co. controls two copper companies working in Mexico.[61]

Batopilas Mining Co. owns over 2,200 acres in mineral land, and 130,000 acres of ranch and timber land, and has a capital of $9 million.[62]

Amparo Mining Co. operates 5 mines and a mill with a daily capacity of 400 tons.[63]

The Fresnilloa Co.,[64] gold and silver.

The Barnsdall Corporation owns silver, copper, gold and lead properties in Mexico.[65]

Ahumada Lead Co. (Del.) operates chiefly through Cia. Minera Erupcion y Anexas, S. A., and Cia. Minera de Ploma, S. A. Through a third subsidiary it has built 47 miles of railroad. It also has a minority interest in two other properties.[66]

Real del Monte Mining Co. holds an option on a large property in the States of Mexico and Guerrero.[67]

A Department of Commerce report estimates an American investment of $3 million in Mexican coal mines.

3. *Railroads.*

We have estimated the American holdings in Mexican railroads at aproximately $160 million, this amount, of course, including the lines owned exclusively by American interests, the

[59] Ibid., p. 1300.
[60] Ibid., p. 2170.
[61] Ibid., p. 1148.
[62] Ibid., p. 1099.
[63] Ibid., p. 1070.
[64] Ibid., p. 584.
[65] Ibid., p. 1778.
[66] *Magazine of Wall Street,* v. 36, p. 149.
[67] *New York Times,* June 19, 1925.

roads in which interest is shared with native and foreign capitalists, and the National Railways of Mexico, the government controlled line, which may return to private management in 1926.

The principal independent American-owned roads in Mexico, according to the "Mexican Year Book," [68] are the following:

Southern Pacific Railroad Co. of Mexico. The First National Bank of New York has recently acquired a large interest in this road which up to December 31, 1922, had spent nearly $43 million in providing railroad facilities for Northwestern Mexico, and in 1924 was reported to be spending another $15 million for new construction.[69] Its total construction up to date is well over 1300 miles.

Kansas City, Mexico and Orient Railroad, covering at least 350 miles. In 1924, it was reported that this road had been sold for $3 million to exclusive American interests in order to eliminate the (at the time) small remaining British interest in the road.

The other independents are:

Mexican Northern Railroad	75 miles
Nacozari Railroad	75
Line of American Smelting and Refining Co.	43
Potosi and Rio Verde Railroad	40
Parral and Durango Railroad	60

The total mileage of these independent roads, including 160 miles of 7 shorter lines, is at present approximately 2,103 miles.

American capital to the amount of $50 million is invested in the National Railways of Mexico, formed in 1910 and consolidating, in addition to five narrow gauge lines, the following standard gauge lines which previously had been completely controlled by American interests:

1. The Mexican International Railroad;
2. The Pan-American Railroad;

and the following lines in which United States investors had put a

[68] *Mexican Year Book*, 1920–21, p. 169.
[69] *Annalist*, v. 1, p. 166. *New York Commercial*, July 17, 1924.

moderate amount of capital, British interests controlling the first two:

3. The Mexican Central Railway;
4. The National Railroad of Mexico;
5. The Vera Cruz and Isthmus Railroad.[70]

Several of the directors of the National Railways of Mexico are New York bankers representing Kuhn, Loeb & Co., Speyer & Co., Hallgarten & Co., Ladenburg, Thalmann & Co., Metropolitan Life Insurance Co., and the Mercantile Bank of the Americas.

The National Railways of Mexico recently granted a 99-year lease to a group financed by the Colorado River Land Co. of Calexico to build a railroad between Mexicali and San Felipe.[71]

The comparative mileage under United States, British and other foreign control, including the investment in all Mexican railroads as above indicated, was in 1921:[72]

British	2,723 miles
United States	2,101
German	16
French	113
Mexican	172
Mexican Government	252
	5,377
National Railways (partly) American investment	7,000
Total	12,377 miles

4. *Public Utilities.*

Although the total United States investment in this field is comparatively unimportant the following units are worth mentioning:

The Mexican Telegraph Co., controlled by All America Cables, Inc., has an investment of $250,000.[73]

The Mexican Telephone and Telegraph Co., with an authorized

[70] *Mexican Year Book*, 1920–21, p. 169.
[71] *Annalist*, v. 24, p. 286.
[72] *Journal of Commerce*, June 2, 1922.
[73] Moody's *Industrials*, p. 1045.

capital of approximately $1 million, serves a population of 1,110,000 and has over 5,800 stations. (Protective Committee now in charge.) [74]

The Mexican Cable Co. has an investment of $5 million in the country.

Central Power and Light Co., Nueva Laredo, Mexico. Electric light and traction service.[75]

Guanajuato Power and Electric Co. transmits power from Mexico to the city of Guanajuato. Owns the entire $1 million stock of the Michoacan Power Co. and controls by stock ownership the Central Mexico Light and Power Co. with approximately $3 million capital.[76]

5. *Manufacturing Industries, including Construction Companies.*

Only a few of the American firms interested in this form of enterprise have been listed, as the number and amounts of capital invested are constantly changing. However, a number are mentioned to show the range of industry in which American capital is working.

Mexican Crude Rubber Co. operates two factories.

Intercontinental Rubber Products Corporation (controlled by Intercontinental Rubber Co.) owns approximately two million acres of rubber property together with a plant for extracting guayule.[77] The Firestone company has leased 35,000 acres.

Motzorongo Co., producing sugar and alcohol and engaging also in cattle raising with properties in Vera Cruz.[78]

Consolidated Rolling Mills Co.—iron goods, with approximately $1 million.

Roessler and Hasslacher Chemical Co. of New York.

Mexican National Construction Co. (Kuhn, Loeb & Co. is interested in this company).

National Iron and Steel Co. with a $500,000 investment.

Mexican International Corporation.

[74] Poor and Moody, *Public Utilities*, p. 255.
[75] Ibid., p. 77.
[76] Ibid., p. 1807.
[77] Moody's *Industrials*, p. 2088.
[78] Ibid., p. 684.

Astoria Mahogany Co.
Honey Iron and Steel Co.
Richardson Construction Co. owns land and dams.
Ford Motor Co.—plant.
Hidalgo Cement Co.
Air Reduction Co., developing patents.
Cia. Industrial Jabonera, cotton seed oil and soap, capital $5 million.
Buen Tono, a $15 million tobacco concern, is owned by an American syndicate.

Besides these there are flour mills, foundries and machine shops, glass and bottle works, shoe factories, textile, printing and other industries in which American capital is invested.[79]

6. *Lands.*

Under this heading come all lands used for timber, agricultural and cattle raising purposes—the sort referred to in a dispatch over the Universal wires September 4, 1923:

"A syndicate of Texas capitalists have acquired 300,000 acres in Mexico,"

and reporting the capital investment to have been $15 million and the use of the land as desired for the cultivation of rice and other cereals, and the exploitation of timber. The wire closed with the statement:

"This is the first, big investment coming as a result of the renewal of diplomatic relations between Mexico and the United States."

American citizens have many investments in sisal, chicle, tobacco, coffee, and sugar lands, fruit haciendas, vegetable oil production, vine culture, cereal growing, guayule rubber and hardwood production and other land enterprises in Mexico.

Investments of this kind ranging from $200,000 to $10 million were reported in 1921 by an American business man residing in Mexico. Some of the American companies mentioned were

[79] *Journal of Commerce,* June 7, 1922. Gives a detailed list of plants in Mexico, their nationality and amount of investment.

the American Chicle Co., the Di Giorgio Fruit Co., with 20,000 acres, the United Sugar Co., the West Coast Cattle Co., Palomas Land and Cattle Co., Corralitos Cattle Co., Mormon Colonies investment, San Jose Babicora (Hearst investment), estimated at that time at $2 million, Cia. Maderera Hartman, Richardson Construction Co. with 400,000 hectares, Atascador Land Co., Rascon Sugar Plan, Choco Colony, Valley of Paradise Development Association, Mexican American Land Co., and dozens of other private and company owners of haciendas and other real estate. The list included approximately 75 names of relatively equal importance with those here mentioned.[80]

The American investment in this form of holding in the various states of Mexico is estimated at $200 million.

7. Banks and other interests.

The National City Bank and several Morgan banks, some of which are mentioned above, are extensively interested in Mexican enterprises, and private citizens of the United States have holdings, and in some instances complete control, in native Mexican banks.[81] *The Annalist* [82] states that Speyer & Co., Kuhn, Loeb & Co., Ladenburg, Thalmann & Co., Hallgarten & Co., H. B. Hollins & Co., Brown Bros. & Co., William Salomon & Co., are the chief American banking houses interested in Mexican securities. In addition to the first four of these seven firms, representatives of the following banking houses are included on the American Section of the International Committee of Bankers on Mexico: J. P. Morgan & Co., Central Union Trust Co., Illinois Merchants Trust Co., National City Bank, Guaranty Trust Co., Chase National Bank, Kidder, Peabody & Co.

The Association of Oil Producers in Mexico is made up of companies already mentioned in this study led by the Doheny and Standard interests. Mr. Doheny's oil interests have made substantial loans to the Mexican Government, one during 1924 for 10 million pesos. "The Doheny interests, it was stated last week, had almost completed arrangements for a loan of 10,000,000

[80] Ibid., June 12, 1922.
[81] *Boston Transcript*, Oct. 15, 1923.
[82] *Annalist*, v. 1, p. 166.

pesos to the Mexican Government. The advance will be made on the oil tax, similar to the one last year." [83]

The National Association for the Protection of American Rights in Mexico (17 Battery Place, New York City) includes in addition to the larger banking units above mentioned a long list of American industrial corporations engaged in the exploitation of Mexican properties.

[83] Ibid., v. 24, p. 644.

COSTA RICA

The estimates of American capital in Costa Rica run from $20 million to $30 million. Our investment totals about the same as the British but the dominant company in the country is easily the United Fruit Co.

According to the *Annual Report* of the United Fruit Co. in 1923, its investment in plantations and equipment in Costa Rica was $8,585,268. This investment includes ownership of 322 of the 404 miles of railway in the country in addition to a large acreage in banana and other fruit lands.

Oil has been another interest of American capital in Costa Rica and "there is ground to hope for very optimistic results in this line." [1]

The Sinclair Central American Oil Corporation owns a large concession on a million acres, and has carried on development work through the Costa Rica Oil Co., itself a subsidiary of the Sinclair Consolidated Oil Corporation.[2]

A mining interest closely associated with the United Fruit and Minor C. Keith enterprises was the Abangarez Gold Fields of Costa Rica which owned several formerly independent properties, as well as the entire stock of the Costa Rica Esperanza Mining Co.[3] This company was reported dissolved in 1924.

There is also the American Manganese Manufacturing Co. (Pa.) which in 1917 acquired the holdings of the Costa Rica

[1] Moody's *Governments and Municipals*, 1925, p. 362.
[2] *Petroleum Register*, 1923, p. 381.
[3] Moody's *Industrials*, p. 452.

Manganese and Mining Co., including several thousand acres of land, four mines, water transport facilities, and railways.

All America Cables, Inc., has an extension into Port Limon.

GUATEMALA

The International Railways of Central America, capitalized at $40 million including its lines in Salvador, is the chief investment of American capital in Guatemala. Its lines comprise 498 of the 575 miles of railroad in the country, 69 of the remainder being operated by the United Fruit Co.[1] The gross revenue for 1921 amounted to $3,609,703.

The International Railways of Central America controls certain industrial subsidiaries. On January 1, 1923, it owned $77,160 of the shares of the Guatemala Marble and Granite Co., and a $580,967 investment in the Novella Cement Co. It had also an investment of $260,000 in the Alotepeque Mines and $984,540 or almost all the shares of the Occidental Railroad, included in the mileage above stated.

Another recent and substantial investor in the country is the American and Foreign Power Co., formed in 1923 and controlled by the General Electric Co. It owns the electric lighting system of Guatemala City (Guatemala Tramways and Power Co.), an enterprise worth $1,250,000, formerly controlled in part by the International Railways of Central America. The American and Foreign Power Co. concession granted by the Government runs for more than 50 years.[2]

Closely associated with the International Railways is the United Fruit Co., whose investment in Guatemala in 1923 amounted to $3,944,762 and whose lands comprise approximately one-fifteenth of the total area of the country including 25,500 acres of improved land, 114,500 acres of unimproved, and 67,300 under lease of which 1,770 are improved.[3]

[1] Moody's *Governments and Municipals*, p. 483. United Fruit Co., *Annual Report*, 1923. International Railways of Central America, *Annual Report*, 1924.

[2] Poor and Moody, *Public Utilities*, p. 941.

[3] Moody's *Governments and Municipals*, p. 482.

The United Fruit Co. also operates a radio station in Guatemala and All America Cables, Inc., has properties there.

The Sinclair Exploration Co. and the Rickard Exploration Co. are negotiating for oil concessions, and the Benedum and Trees oil interests of Pittsburgh are said to have entered into an agreement with the Petrolera Izabel, a local oil development corporation, for drilling wells on a two million acre tract near Peten. If successful, a $30 million dollar corporation is to be formed.[4]

The New York Engineering Co. is behind a gold dredging project in Guatemala.[5]

The American Chicle Co. controls large areas of chicle producing lands in Guatemala.[6]

Americans associated with the financing of coffee plantations established the Bank of Guatemala, the leading bank of the republic, in 1905. At least a part of its shares are owned by Americans.[7] The American International Corporation through G. Amsinck & Co. controls and operates Quezada & Co., coffee exporters.

The latest estimate in 1920 places the total American capital in Guatemala at $15 million.[8] It is probable that since the International Railways came entirely into American hands the figure has increased to at least $50 million.

[4] *New York Times*, Feb. 25, 1924. *Annalist*, v. 25, p. 132.
[5] *Mineral Industry*, 1923, p. 291.
[6] Moody's *Industrials*, p. 832.
[7] *Boston Transcript*, Oct. 15, 1922.
[8] Ingalls, *Wealth and Income*, p. 56.

HONDURAS

In 1920 the American investment in Honduras was estimated by Ingalls at $18 million, a gain of $8 million since 1916.[1] The two major investments then, as now, were the United Fruit Co. and the New York and Honduras Rosario Mining Co. It is probable that the total investment is now at least $40 million, for the United Fruit Co.'s plantations and equipment alone in 1923 amounted to $24,232,275.

[1] Ingalls, *Wealth and Income*, p. 56.

The United Fruit Co.'s investment includes the ownership of 392 out of 488 miles of railway in the country, as well as extensive banana, coconut and rubber lands. The growth of the interests of United Fruit in Honduras has been significant According to the *Annual Report* of the Company, 1923, the increase has been as follows:

1900	$ 45,628
1916	7,614,535
1919	9,983,288
1920	13,118,067
1921	16,323,299
1922	19,077,752
1923	24,232,275

The United Fruit Co. works also through certain subsidiaries, one being Vaccaro Bros. & Co. and another Hubbard, Zemurray & Co., banana plantation owners.[2] Vaccaro Bros., banana exporters, controls the Banco Atlantida and owns and operates some 93 miles of railway and a line of steamers. The Standard Fruit and Steamship Co. (Del.) took over the Honduran interests of Vaccaro Bros. on Jan. 1, 1924, though no change took place in the financial control. The plan was to segregate the steamship, fruit, and railway business of Vaccaro Bros. from their other properties in the country. Some 196 miles of railway are now run by the Standard Fruit and Steamship Co.[3]

Cuyamel Fruit Co. is another large fruit company, its acreage running over 50,000, some 12,000 acres under cultivation in bananas. The company controls the Cortes Development Co., banana producers, and through another subsidiary the Sula Sugar Co. Cuyamel is engaged in sugar growing and owns a sugar mill handling 150 tons of cane a day.[4] It operates also some 47 miles of standard gauge railway and 75 miles of narrow gauge. The Ramal del Ulua Railway, a subsidiary of the Cuyamel, operates, in addition, 100 miles of road, a fleet of fruit-passenger-

[2] U. S. Federal Trade Commission, *Report on Coöperation in American Export Trade*, v. 2, p. 176.

[3] U. S. *Trade Promotion Series*, no. 5, p. 67.

[4] Moody's *Industrials*, p. 1935.

freight ships, warehouses, docks and other facilities. The Cuyamel operates also in Nicaragua (see page 112), its investment in the business of both countries amounting to nearly $25 million.

An important American mining company is the New York and Honduras Rosario Mining Co. Its capital stock outstanding is $2 million; its total assets in 1921 amounted to $3,795,378. "This long-established American company has been highly successful, and its record of silver production is probably the best for any silver mine in Central America during modern times." [5]

Other American companies are the West End Consolidated Mining Co. (Ariz.), whose property is operated in Honduras by the West End Opoteca Mines Co.,[6] and the Antigua Gold and Copper Co., an American concern incorporated in 1917 with a capital of $2 million.[7]

There seems to have been some exploration for petroleum carried on by the Central American Petroleum Co., which holds altogether 4 million acres, a part in Colombia and a part in Honduras. The Honduras Petroleum Co., presumably American controlled, has also prospected for oil in four states of Honduras.

American companies are interested in port development, in railroads, in steamboat operation and in automobile roads. The International Railways of Central America, it is reported, will eventually extend its lines some 90 miles through Honduras.

The National Railways of Honduras have since 1920 been under the management of American interests represented by the Cia. Agricola de Sula.[8]

The American Chicle Co. has over 5 million acres of chicle producing lands in British Honduras, Mexico and Guatemala; it is not known what its exact holdings are in each.

The Pan-American Honduras Development Co. of Baltimore has a fleet of six steamers carrying bananas from Honduras to Baltimore and east coast cities.

[5] U. S. *Special Agents Series,* no. 169, p. 425.
[6] Moody's *Industrials,* p. 1637.
[7] U. S. *Special Agents Series,* no. 169, p. 531.
[8] Moody's *Governments and Municipals,* p. 488.

NICARAGUA

Fruit companies, mining companies, railway and banking interests comprise the major connections between the United States and Nicaragua.

1. *Fruit growing.*

The United Fruit Co. is only slightly interested in the country, its holdings covering but 171,000 acres of unimproved lands and the investment of approximately $170,000.[1]

The Atlantic Fruit Co., however, has a 132,000 acre tract almost wholly under cultivation, while the Cuyamel Fruit Co. imports bananas which are grown by the New Orleans and Bluefields Fruit and Transporation Co. (a subsidiary of Cuyamel), the latter company holding in its own name about 150,000 acres of land in Nicaragua.

2. *Mining.*

The Central American Exploration Co. is a small company owning a gold gravel mine and an exploration concession covering 4 million acres.

The La Luz and Los Angeles Mining Co., owned by Pittsburgh interests, has been producing since 1901.

The Gold Mines Co. has carried on some exploration work.

Contracts for the exploration of petroleum lands were signed in 1923 between an American company and the Nicaraguan Government, the territory covered being about 200,000 hectares. The full text of the report is as follows:

"The Government has signed a petroleum contract with an American citizen granting him permission to explore for petroleum in certain parts of the Departments of Bluefields, Chontales and Nueva Segovia. The land to be explored is 200,000 hectares in extent, divided into 40 lots of 5,000 hectares each, from which during five years from the publishing of the contract (October 1 and 2, 1923) competitors are to be barred. At the end of the exploratory period the concessionary may exploit any oil wells for 40 years. The Government is to receive 12½ per cent royalty on the gross oil products if the yield is not equal to or over 100,000 barrels per day, and 20 per cent of the gross production

[1] United Fruit Co., *Annual Report*, 1923.

exceeding that amount. A $10,000 deposit is required, to be returned in five years if the conditions are fulfilled. All material brought into the country for the works of the concession are to be free of import duties. Half of the workmen must be Nicaraguans." [2]

The Tonopah Mining Co., a large American concern owning a majority of the $1 million stock of the Eden Mining Co., has also carried on construction and development work in the gold fields. It owns a controlling interest in the Tonopah Nicaragua Co., operating the Santa Rita Mines.[3]

3. *Railroads.*

The Pacific Railway or National Railway of Nicaragua is now after several years of shared control with American bankers again owned by the government, but is still under the management of J. G. White & Co.

Several of the fruit companies operate short branch lines; Cuyamel now has some 10 miles under operation.

A contract was signed not long ago between the Government and an American corporation for the construction of a railroad which will be a link in the International Railways of Central America line. This railway project is known also as the Pan-American Railway.[4]

4. *Miscellaneous Interests.*

The Brangman's Bluff Lumber Co. in 1923 obtained a concession through Leroy T. Miles for 20,000 hectares of nationally-owned land. The right to construct sawmills, wharves, wireless stations and railways is included in the concession. Six miles of railway tract have already been laid.[5]

An oil concession was granted Robert J. McKinley of Kansas in 1924. It covers several departments. A $50,000 deposit was given for the franchise.[6]

Keilhauer and Hebard of New York in 1925 signed a contract with the President of Nicaragua for a paving and sanitation

[2] Pan American Union, *Bulletin*, v. 58, p. 190.
[3] U. S. *Special Agents Series*, no. 169, p. 435.
[4] *South American Handbook*, 1924, p. 548.
[5] U. S. *Trade Promotion Series*, no. 5, p. 91.
[6] *Annalist*, v. 24, p. 452.

project and for the construction of a railroad to the Atlantic Coast, at a cost of approximately $12 million.[7]

The Nicaraguan Government in 1920 granted a 49-year timber concession to Manuel Pena, an American citizen, covering timber exploitation and resin export.[8]

The Central American Corporation owns 24,000 acres in lands devoted to banana, sugar cane and pineapple cultivation. The properties of the company include railways, wharf and warehouses.[9]

The National Bank of Nicaragua, formerly controlled by Brown Bros. & Co. and J. and W. Seligman & Co., was bought back by the Nicaraguan Government in 1924, the new directorate, however, still including three Americans, Robert F. Loree, President of the Bank of Central and South America, Abram F. Linberg, financial expert, and Jeremiah Jenks.[10]

Other American firms reported to be operating in Nicaragua in addition to those above mentioned, are the following: Cia. Mercantil de Ultramar, the Grecia Mines, San Albino Mines, Casa Commercial and Moravian Mission, Bluefields Tanning Co., Samuel Weil & Co., Astor Mahogany Co. (through its subsidiary, the Nicaragua Mahogany Co.), I. T. Williams & Sons, Wawa Commercial Co., Friedlander Commission Co., H. F. Springer, A. Fagot & Co., Central American Saw Mills, Constancia Gold Mines, Nicaragua Mining Co., and Mengel & Co. Other American firms have interests in radio, railroads, street paving and public works.

Over 70 per cent of the foreign trade of the country is conducted with the United States.

PANAMA

Exclusive of the Panama Railroad, with a $7 million capital, and the Panama Canal, both owned by the United States Govern-

[7] Ibid., v. 25, p. 586.
[8] *Latin-American Year Book*, 1920, p. 525.
[9] Moody's *Industrials*, p. 1159.
[10] *Annalist*, v. 24, p. 285.

ment, the investment of private citizens in the Republic of Panama is considerable and is growing steadily.

In 1903 the United Fruit Company's holdings in Panama amounted to $2,021,627. In 1923 this sum had grown to $8,253,226, including its investment in 270 miles of railway.[1] Its railroads carry its fruit products, passengers and other freight.[2]

The Di Giorgio Fruit Co. has 65,000 acres in Panama, part of it in banana cultivation.

Another fruit company is the Gatun Lake Banana Co., which owns 1000 hectares with 300 under cultivation. Several other large banana companies have organized in Panama during the last year,[3] including the Pacific Fruit Co. Other American companies are the Panama Products Co., the Panama Sugar Co., the Pan-American Fruit and Sugar Co., and an American company at Colon with a plant for manufacturing coconut and palm oil products. Quite a large colony of Americans are interested in coconut groves and coffee plantations.[4]

United States capital is also spreading in the public utility field. The Panama Gas Co., with a capitalization of $1.2 million, and the Colon Gas Co. have for years been under the control of Philadelphia interests.[5]

The American and Foreign Power Co., Inc., controlled by the General Electric Co. through the Electric Bond and Share Co., controls the Panama Power and Light Co. with public utility properties in Panama, Colon, Balboa and Pueblo Nuevo. One of the companies controlled handles the light, power and ice business in Panama and Colon, another supplies the electric railway service in Panama City. Still another supplies the telephone service in Panama City and Colon.[6]

All America Cables, Inc., is also operating in Panama.[7]

1 United Fruit Co., *Annual Report*, 1923.
2 *South American Handbook*, 1923, p. 552.
3 Pan American Union, *Bulletin*, v. 58, pp. 937–8.
4 *Latin-American Year Book*, 1920, pp. 542–4.
5 U. S. *Special Agents Series*, no. 169, p. 440.
6 Poor and Moody, *Public Utilities*, p. 941.
7 Moody's *Industrials*, p. 1045.

The mineral resources of Panama are also being touched by American exploiters.

In March, 1919, the government signed a contract with A. H. Verrill granting him the exclusive mining rights in a territory covering some 3,000 hectares, the concessionaire agreeing to build at his own expense certain roads.[8]

The Hyatt Panama Manganese Co. is constructing a narrow gauge railroad from its manganese deposits in the Colon district to a Caribbean port.

Other manganese concessions have been granted by the Government to American companies.

The government signed a contract with M. Rodriguez giving him a ten-year concession on certain mines, timber tracts and waterways with permission to construct roads, telephone and telegraph lines, and tramways. These rights were later transferred to Albert L. Wilcox and his associates, American mining engineers who are now engaged in exploiting this concession.[9]

The Panama American Lumber Development Co., with head office in Pennsylvania, operates several miles of narrow gauge railway in connection with its business in Panama.[10]

The Pacific Mail Steamship Co. and other important lines have properties in Panama as well as several American companies furnishing fuel oil to ships.

A railroad concession agreement was drawn up December 30, 1922, between Gregorio Miro and the President of Panama. It was understood at the time that Mr. Miro would transfer his rights to a subsidiary of the Standard Oil Co., which is interested in an outlet of its oil supply to facilitate the exploitation of certain concessions in northern Colombia.[11]

The *New York Commercial,* in an article touching on certain new oil lands being prospected in the Republic of Panama, says:

"Among the American oil companies which are interested in acreage in the Republic of Panama are the Texas Co., The Sinclair Consolidated Oil Corp., and The Gulf Oil Corporation. There are reports that the

[8] *Latin-American Year Book,* 1920, p. 541.
[9] Panama, *Gaceta Official,* Aug. 11, 1922.
[10] U. S. *Trade Promotion Series,* no. 5, p. 147.
[11] Ibid., pp. 147–8.

Standard Oil Co. of California has also acquired some fairly extensive acreage there. Some smaller companies are also active."

. . . "The most active drilling operations thus far have been by the Texas Co., which is developing the acreage held by the Carib Syndicate of Maine which company is controlled by the Texas Co. . . . The Texas Co. is also drilling some acreage belonging to a subsidiary of the Sinclair Consolidated Oil Corporation. . . . The Texas Co. is reported as planning about a dozen drill holes."

"The Sinclair Consolidated Oil was one of the first American oil companies to acquire extensive acreage in the Republic of Panama. Some large holdings which it had had for a few years were augmented last year, when Dr. Belisario Porras, president of the Republic of Panama, granted the Sinclair people approximately 700,000 acres of prospective oil lands in the Darien region. The total acreage now held by the Sinclair people in the Republic of Panama is 1,280,000 acres." . . .

"The Gulf Oil Co. is operating in Panama through its subsidiary, the Panama Gulf Co. . . . on a tract nineteen by thirty miles. This tract is reported as owned by interests in Rochester, N. Y., who made a very favorable deal with the Panama Gulf Co."

Pointing out the advantages of securing oil so near to the fuel stations of Panama where oil-burning ships must stop for fuel, the article continues:

"That the Isthmus may yet develop fields that will yield profits for the American companies exceeding all that the government paid for the building of the Panama Canal is the optimistic forecast of some geologists, and the expenditures which are now being made in exploitation indicate that the managements of leading oil companies support that opinion." [12]

[12] *New York Commercial,* July 29, 1924, p. 3.

SALVADOR

The International Railways of Central America owns 158 of the 252 miles of railway in the country with an extension of 138 additional miles now under construction. The gross receipts in 1921 amounted to $400,589.[1] (See Guatemala, p. 108.)

Prior to the taking over of the International Railways of Central America by United States interests, a correspondent of the London *Economist,* with a British point of view, wrote:

[1] Moody's *Governments and Municipals,* p. 602. International Railways of Central America, *Annual Report,* 1923.

"With slight exceptions, the steamship and railway transport arrangements in Central America, including El Salvador, have passed under the domination of North American interests, at the head of which stand Mr. Minor C. Keith, president of the International Railways of Central America, and his associates. During the lifetime of Mr. Mark J. Kelly, for many years chairman and managing director of the Salvador Railway Company (and formerly of the Salvador Steamship Company), strenuous efforts were made to exclude these enterprises from American domination; hitherto the railway has been spared absorption. It would appear, however, that this British-owned enterprise may ultimately be engulfed by irresistible North American interests, which have ever regarded the system . . . with envy, and as destined to form part of the Pan-American Railway project." [2]

Several mining companies, among them the Central American Mines, Inc., with $3 million capital, and the Comararan Gold Mining Co., presumably financed in the United States, are operating in Salvador.

R. W. Hebard & Co. (also interested in the International Railways of Central America), has the contract for constructing sanitary works for the city of San Salvador estimated to cost $3 million. René Keilhauer has other interests in the country, in addition to those represented by his connection with the International Railways of Central America.

The Occidental Bank, with a capital of $5 million, is the most important bank of Salvador and was organized by David Bloom and his associates of San Francisco, as a result of their commercial undertakings in that country.[3]

Salvador external bonds of 1923 to the amount of $6 million are handled through the New York banking house of F. J. Lisman & Co., which through the terms of the contract acquires complete control of the customs collections in case of default in the loan.[4]

BAHAMA ISLANDS

An American company, some time before 1918, obtained a concession to cut yellow pine on Abaco Island. The company estab-

[2] *Economist*, v. 95, p. 577.
[3] *Boston Transcript*, Oct. 15, 1923.
[4] *Commercial and Financial Chronicle*, v. 117, pp. 1615–16. *Nation*, v. 117, pp. 452, 479.

lished a large plant at Wilson City, and owns stores and a 14-mile railway.[1]

[1] U. S. *Special Agents Series,* no. 169, p. 449.

BARBADOS

Public utilities in this island of the British West Indies are controlled by American capital. "The street railway service for Bridgetown and its suburbs is furnished by the Barbados Tramways, Ltd., controlled by an American company." [1]

[1] U. S. *Special Agents Series,* no. 169, p. 452.

CUBA *

1. *United States Share in All Cuban Industry.*

The amount of American money invested in Cuba, not including government loans, is approximately $1,250 million and stands as follows, according to figures published by the Department of Commerce in 1924:[1]

		(in millions of dollars)
1	Sugar properties	$750
2	Railroads	110
3	Public utilities	100
4	Hotels, office buildings and other city real estate	80
5	Miscellaneous factories	40
6	Tobacco and cigars	50
7	Miscellaneous agricultural lands, other than sugar and tobacco land	25
8	Mining	35
9	Independent docks, warehouses and terminal facilities	10
10	Merchandise	30
11	Banking	20
	Total	$1,250 million

* In connection with this section, consult particularly table on page 36, showing bonds of leading Cuban companies, now outstanding in the United States.

[1] Pan American Union, *Bulletin,* v. 58, p. 729.

In addition to this, United States investors hold $110 million of Cuban government bonds.[2] (Lower figure given on page 176.)

The tremendous increase in American holdings in Cuba during the past decade and a half may be appreciated by comparing the table above with the one which follows showing the American investment in Cuba in the year 1909.

	(in millions of dollars)
Sugar and Tobacco	$ 68
Railroads	34
Real Estate	18
Agriculture	4
Banks	5
Navigation	1.5
Mortgages	3.5
Miscellaneous	7.0
	$ 141.0 million

Taking the somewhat conservative figures of Ingalls for the United States investment in Cuba in 1916 and 1920, we may set them alongside the Department of Commerce estimates for our commercial and industrial investment there as of the present date. From this table we can roughly visualize the growth of American capital in Cuba since 1916.[3]

	(in millions of dollars)		
	1916	*1920*	*1924*
Sugar Plantations and Mills	$300	$375	$750
Railways	45	65	110
Mines, chiefly iron	27.5	20	35
All other	27.5	65	355
Total	400	525	1,250

2. *United States Commerce with Cuba.*

"The Republic of Cuba was in 1922 by far the best customer of the United States in all Latin America, and also supplied the United States greater imports than did any other Latin-American country, owing primarily to the sugar trade. Of the total imports from Latin America

[2] Ibid., p. 730.
[3] Ingalls, *Wealth and Income*, p. 60.

in 1921, 32 per cent came from Cuba, and in 1922 nearly 33 per cent. Exports to Cuba in 1921 were 24 per cent of the total to Latin America, and in 1922, 23 per cent."

"From the standpoint of world trade with the United States in 1922, the importance of Cuban commerce is likewise striking. As an importer of American goods, the island Republic ranked seventh. . . ."

"In view of the fact that that population of Cuba is only 3,000,000, it is seen that on a per capita basis, its trade with the United States is far greater than that with any country of the world, an intensity of commercial relations approached only in the case of Canada." [4]

A more recent estimate in the London *Economist,* based on a report of the British consul in Cuba, shows that the United States supplies two-thirds of the imports of Cuba and takes four-fifths of the exports.[5]

The import and export figures for the fiscal year 1923–24 also give the United States first rank in the economic life of Cuba. We quote from a sales-letter of the National City Bank, dated December 1, 1924, giving figures from the Commercial Attaché at the Cuban Embassy in Washington:

"In the year stated, Cuba stood sixth in rank in American export trade, the volume of American exports to her being exceeded only by those of the United Kingdom, Canada, Germany, France and Japan. Translated into figures this means that Cuba buys $200,000,000 annually from the United States. Twenty-one years ago the volume of exports to Cuba was only $25,000,000."

The same letter from the National City Bank reports that Cuba during the same period stands second only to Canada in the American import trade. In 1924, the United States bought 83 per cent of Cuba's total exports, paying $359,505,487. Of this amount $313,612,255 was for sugar.

3. *Economic Relations in general.*

"As regards economic life, Cuba is held in the hollow of our hand. Her two great crops of sugar and tobacco are so vital to us that we have come to control them. Since she produces so few things and sells them practically all to us, she must depend on us not only for manufactured goods but very largely for foodstuffs also. The extensive development of an absentee landlord system could easily produce an American Ireland for the United States." [6]

[4] U. S. *Trade and Economic Review,* 1922, no. 51, p. 8.
[5] *Economist,* v. 98, p. 14.
[6] Inman, *Problems in Pan Americanism,* p. 276.

4. *Sugar*

American penetration of the Cuban sugar industry has been gradual. Up to 1910 cane interests on the island were equally divided between Cuban, European and United States capitalists. In 1911 the American interests gained and accounted for 35 per cent of the total production. Since that time the American increase has been steady.[7]

By the year 1920 out of a total crop of approximately 26,250,000 bags, American mills produced 12,700,000 or 48.4 per cent.[8] The percentage of the total crop produced by certain American companies in 1920 is given below:[9]

Cuba Cane Sugar Corporation	14.35 per cent
Rionda Management	5.71
Cuban American Sugar Co.	6.00
West India Sugar Finance Corporation	2.19
United Fruit Co.	3.18
Punta Alegre Sugar Co.	2.40
American Sugar Refining Co.	2.11
Cuba Co.	1.75
Baragua Co.	1.57
J. G. White Management	1.31

The 1922–23 crop shows a slightly different distribution, all the companies of any importance being included in the following list compiled by Lamborn & Co. of New York.*

Comparison of the Portion of the Cuban Sugar Production Owned by American Companies for the Crop of 1922–23.

Company	*Active Mills*	*Percentage of Crop*
Cuba Cane Sugar Corporation	13	13.02
Cuban American Sugar Co.	6	7.21
Rionda Management	6	6.33
General Sugar Co. Management	11	5.10
Punta Alegre Sugar Co.	4	4.78

* A comparable list for the 1923–24 crop appears on p. 22 of the *Ninth Annual Report* of Cuba Cane Sugar Corporation, 1924.

[7] Prinsen Geerligs, *World's Sugar Cane Industry*, p. 175.

[8] Cuba Cane Sugar Corporation, *Annual Report*, 1920, p. 28.

[9] Idem.

COMPARISON OF THE PORTION OF THE CUBAN SUGAR PRODUCTION OWNED BY AMERICAN COMPANIES, 1922–23, (continued).

Company	*Active Mills*	*Percentage of Crop*
American Sugar Refining Co.	2	4.62
West India Sugar Finance Corporation	5	3.44
United Fruit Co.	2	3.03
Cuba Co.	2	2.84
Warner Sugar Refining Corporation	3	2.59
E. Atkins & Co.	3	1.84
Hershey Corporation *	2	1.07
North American Sugar Co.	1	1.06
Others (below 1 per cent):		
Central Cuba Sugar Co.	2	.85
New Niquero Sugar Co.		.84
J. G. White Management	2	.77
Fidelity Sugar Co.		.61
Atlantic Fruit Co.		.60
La Paz Sugar Co.		.51
Guantanamo Sugar Co.	2	.50
Ermita Sugar Co.		.47
Caribbean Sugar Co.		.45
Cape Cruz Sugar Co.		.21
Hires Corporation		.20
Central Teresa Sugar Co.		.19
St. Cecilia Sugar Co.		.16
San Juan Sugar Co.		.14
Central Dulce Nobre, S. A.		.10
Total American	78	63.53
Non-American Interests	104	36.47

* Illustrating the constant shifting of the companies, as the larger corporations absorb the smaller, one may mention the Hershey Corporation's purchase of Central San Antonio at Maldruga from the Gomez-Mena family for $4.5 million, reported in *Facts about Sugar*, May 23, 1925, p. 428.

The number of bags turned out by these 78 active American mills was 16,020,713, while the production of the 104 mills of the non-American interests, most of them with a much smaller capacity, was only 9,199,655 bags.

Some 85 mills are now owned by Americans, 55 of them outright or by affiliated companies. These American mills now produce somewhere between 55 and 60 per cent of the output of

the island.[10] "In addition, about 4,500,000 acres of cane land are owned by American interests, of which 75% is controlled by American refiners." [11]

The following are some of the American firms producing cane and sugar in Cuba. This list will give the reader some notion of the size of the equipment of various sugar companies. Many of them have Cuban subsidiaries and centrals not mentioned here.

In the case of only a few has the figure for the number of miles of railroad under their control been available, while in the fourth column the figure chosen has in some cases been the annual capacity of the plant and in other cases the actual production during the last year of which there is any record, depending on which figure happened to be given in the financial reports of the particular company.

Figures on capitalization of these companies may be found in the financial statements of the companies appearing in Moody's *Industrials*, in *Thirty-one Sugar Companies* issued in 1924 by Tameling, Keen & Co. and in the *Manual of Sugar Companies* (1925) issued by Farr & Co.*

SOME AMERICAN SUGAR COMPANIES IN CUBA

Name of Co.	*Mills* (not all active)	*Acres* (in thousands)	*Miles of R. R.*	*Annual capacity in bags or production of best known year* (in thousands)
American Sugar Refining Co. (owns Central Cunagua)	2	300	165	1,200
Caracas Sugar Co.	1	74	130	300
Beattie Sugar Co.	1	85	46	300
Central Teresa Sugar Co.	1	30	32	100
Cuba Cane Sugar Corporation	17	750	930	3,680
Cuban American Sugar Co.	18	504	500	2,000
Cuba Co. (controlling Cia. Cubana)	2	194		600
Cuban Dominican Sugar Co. (controlling 3 subsidiaries)	7	327		1,435
Sugar Estates of Orient, Inc.†	4	250	90	985
Francisco Sugar Co.	2	236	135	875

* A detailed description of American sugar companies in Cuba, Hawaii, Porto Rico and the Dominican Republic is contained in this manual.
† Controlled by Cuban Dominican Sugar Co.

[10] Moody's *Governments and Municipals*, 1925, p. 347.
[11] Idem.

SOME AMERICAN SUGAR COMPANIES IN CUBA—(continued)

Name of Co.	*Mills* (not all active)	*Acres* (in thousands)	*Miles of R. R.*	*Annual capacity in bags or production of best known year* (in thousands)
Guantanamo Sugar Co.	3	100	36	300
Manati Sugar Co.	1	285	225	500
New Niquero Sugar Co.	1	70		185
Punta Alegre (controlling Antilla Suga Co., Baragua Sugar Co. and others)	6	225	200	1,600
Santa Cecelia Sugar Corporation	1	10		100
United Fruit Co.	2			1,000
Warner Sugar Co. of Cuba (controlling Central Miranda Co.)		150	50	550
Vertientes Sugar Co.	2	630		735
General Sugar Co. (its 5 subsidiaries include Camaguey Sugar Co.)		150		600
Tuinucu Sugar Co.		55		
Hershey Chocolate Co. (through Cia. Agraria Cubana, Cia. San Juan Bautista and Rosario Sugar Co.)	2	38	160	450
Salamanca Sugar Co.	1	34		250
San Juan Sugar Co. (owns property of Cuban Sugar Mills Co.)	1	36		100
Ermita Sugar Co.	1	10		150
Atlantic Fruit Co.	1			300
Ferrer Sugar Co.	1	57		200
Mantanzas-American Sugar Co.	1	9		100
Cespedes Sugar Co.	1	42	48	350
Central Cuba Sugar Co.	4			500

Assuming the Department of Commerce estimate of $750 million to be nearer than the claims of one billion dollars made by the United States Sugar Association and the *Wall Street Journal* (the more inflated figure is commonly used in connection with tariff pleadings), we may set down the aggregate United States investment in Cuban sugar mills and estates at approximately $625 million, and add another $125 million representing the investment of other Cuban sugar companies financed and controlled by Americans.

The two largest units in the above table are represented by the Cuba Cane Sugar Corporation, said to be the largest sugar company in the world; the next largest is the Punta Alegre Co. with

subsidiaries. The merger recently effected between the Cuban Dominican Sugar Co., the Sugar Estates of the Orient and the West Indies Sugar Finance Corporation will constitute another large production unit.

Cuban Dominican and Sugar Estates of the Orient are now combined, West India Sugar Finance Corporation having since been liquidated. The new Cuban Dominican Sugar Co. owns 7 centrals in Cuba and 610,877 acres of sugar land in Cuba and the Dominican Republic.

5. *Mining and Metal Industry.*

A considerable amount of American capital—the amount was estimated at $20 million in 1920 and $35 million in 1924—is invested in iron and copper and manganese mines. The principal mining companies controlled in the United States are the following:

The Bethlehem-Cuban Iron Mines (W. Va. 1899), a subsidiary of the Bethlehem Steel Corporation. One property near Santiago is equipped to produce 450,000 tons of iron ore per annum. Another property on the northern coast can handle 500,000 tons per annum.[12] Another Bethlehem mine was formerly owned by the Midvale Steel and Ordnance Co. The Bethlehem holdings represent an investment of possibly $15 million.

The Eastern Steel Co. operates iron mines.

The American Metal Co., with an investment of approximately $10 million, is the principal owner of copper mines which ship annually 50–60,000 tons from its Cuban seaport.

The Cuba Copper Leasing Co. is a subsidiary of the International Minerals and Metals Corporation.

Other American mining companies are the Sun Development Co. and the Canto Mines in Oriente Province. Several other copper and iron companies with offices in the United States are presumably owned by American capital.

The Island Oil and Transport Co., and other American oil companies, have acreage for exploitation in Cuba.

[12] Moody's *Industrials*, 1923, p. 1596.

6. *Railroads and Public Utilities.*[13]

The recently organized Consolidated Railroads of Cuba is the only railroad covering the principal sugar bearing provinces. (The Tarafa Law of 1923 makes it illegal to ship from any except the 26 approved ports reached by the Cuba Railroad, which thus gives the railroad a complete monopoly in the heavy sugar trade of the eastern provinces, and puts out of service many private ports formerly owned by other companies.) All the common stock of the Consolidated Railroads is held by five directors, C. E. J. Berwind, P. A. Rockefeller, Horatio Rubens, H. C. Sakin and J. M. Tarafa. This railroad includes the Cuba Railroad (subsidiary of the Cuba Co.), the Camaguey and Nuevitas Railway Co. (a subsidiary of the Cuba Railroad), and the Cuba Northern Railway.[14] American investment in the Cuba Northern is estimated at $10 million.

The Cuba Railroad owns the principal rail lines of Cuba and represents an investment of approximately $65 million. The Cuba Co. which controls it has another $30 million invested in other Cuban properties including sugar lands.[15] On the board of directors of this company are:

E. J. Berwind, President and Director, Berwind-White Coal Mining Co. and some forty corporations, many engaged in Latin-American industry and trade.

Howard Mansfield, Director of Cuba Railroad Co.

W. H. Woodin, President and Director, American Car and Foundry Co. and a dozen other important American corporations.

R. B. Van Horne, connected with Cuban railroads.

C. H. Walker, President and Director, W. A. Harriman & Co.

P. A. Rockefeller, Director in a score of foreign corporations with American capital. (See Directory of Directors.)

[13] Moody's *Governments and Municipals*, 1925, p. 348: discussion on the Tarafa law and Cuban railroads.

[14] *Boston News Bureau*, Sept. 11, 1924.

[15] Moody's *Steam Railroads*, 1923, p. 2009.

H. W. Bull, of Harriman & Co., and other Cuban interests.

H. S. Rubens (see page 132).

W. V. Griffin, President and Director, Agrilin Chemical Corporation and 16 other corporations.

H. C. Lakin, Long Island Railroad Co. and Cuban interests.

Approximately $15 million of American capital is invested in the United Railways of Havana and the Havana Central Railway. United Railways of Havana, though dominated by British capital, controls the Havana Central Railway, successor to the Insular Railroad, a company with a perpetual concession, incorporated in New Jersey, and most of whose directors live in New York. The two companies control jointly the Havana Terminal Railroad Co., a Maine corporation.[16] W. E. Ogilvie, an American, is a director of all three companies.

As we have noted in the table above, practically all American sugar companies in Cuba control some railway mileage. A new line of this character is the Hershey Electric Railroad from Hershey on Havana harbor to Matanzas, some 70 miles, in addition to several short suburban branches. The Hershey Railroad has a perpetual franchise on a private right of way and owns nearly 400 cars.

Another railroad serving a sugar district for about 75 miles is the Guantanamo and Western. Although the directors are Cuban, the $5 million outstanding bonds are held in the United States.

The Havana Electric Railway, Light and Power Co. is perhaps the most important public utility corporation in Cuba. It owns the entire stock of the Havana Electric Railway Co. and the Cia. de Gas y Electricidad de la Habana; it controls also the stock of the Insular Railway and owns a central power station, gas plant, wharves, cars and bus lines.[17] Its total holdings are worth something like $65 million. It is about to be organized into a new company called the Havana Electric and Utilities Co.

The International Telephone and Telegraph Corporation owns

[16] U. S. *Trade Promotion Series*, no. 5, p. 189.
[17] Moody's *Public Utilities*, p. 786.

96 per cent of the stock of the Cuban Telephone Co., with wide concessions covering nearly the entire island, including Havana and some 94 municipalities. Miles of wire involved: 137,421; telephones: 46,338.[18] This investment has been estimated at $20 million. The International Telephone and Telegraph Corporation also owns a majority of the stock of the Havana Subway Company.[19]

The American Telephone and Telegraph Co. owns 50 per cent of the stock of the Cuban-American Telephone and Telegraph Co. (the other 50 per cent being held by the International Telephone and Telegraph Corporation), which owns and operates the cable connections with Florida, the investment amounting to approximately $1 million.

The Cia. Terminal Atares, with American capital and management, is developing parts of the water front of Havana harbor.[20]

The American and Foreign Power Co., a large utility corporation organized in 1923 by the Electric Bond and Share Co. (controlled by the General Electric Co.), controls the Camaguey Electric Co., handling the entire lighting, power and tram business of that city, and the light and power business in the city of Nuevitas and two adjoining municipalities.[21]

The American and Foreign Power Co. owns also an electric plant with a perpetual lighting concession, and operates the only street railway in that city of 75,000.[22] All the Cuban holdings of the General Electric Co., valued possibly at $10 million, are now operated through the American and Foreign Power Co.

The Havana Docks Corporation, through a subsidiary, holds a concession from the Cuban government for the construction of large piers and warehouses.[23] Its holdings are worth possibly $10 million.

7. Tobacco.

The investment in tobacco has been estimated at $50 million

[18] Ibid., p. 1812.
[19] Ibid., p. 1811.
[20] Moody's *Industrials*, p. 1184.
[21] Poor and Moody, *Public Utilities*, p. 943.
[22] Ibid., p. 944.
[23] Moody's *Industrials*, p. 1313.

(see page 119). The bulk of this is held by the American Cigar Co., which controls the Cuban Tobacco Co., the Havana Tobacco Co., and has an interest in several other Cuban companies.[24]

8. *Fruit Growing.*

The United Fruit Co. owns plant and equipment and other holdings in Cuba valued in 1923 at $47,286,147.

The Atlantic Fruit Co. owns 178,000 acres of banana and sugar cane land, most of it under cultivation.[25]

The Di Giorgio Fruit Co., through a subsidiary, owns 23,864 acres, part of which are planted in bananas, as well as most of the stock of the Southern Banana Corporation, with 1,000 acres of banana land in Mexico.[26]

9. *Miscellaneous Investments and Enterprises.*

Armour & Co. (Del.) operates a large packing plant. Its subsidiary is the North American Provision Co.[27]

The Sinclair Oil Co. controls the Cia. des Minerales des Cubanos and the Sinclair Cuba Navigation Co. with an investment of approximately $1 million.

The International Harvester Co. has some 3,000 acres for the cultivation of sisal fibre.

The Havana Coal Co. has an investment of approximately $1.5 million, all the capital stock being owned by the Berwind-White Coal Co.

The Standard Oil Co., through the West India Refining Co., has an investment of approximately $5 million.

The International Portland Cement Corporation owns the Cuban Portland Cement Corporation with a plant carrying a daily capacity of 3,000 barrels.[28] The investment amounts to approximately $3 million.

The United States Industrial Alcohol Co. has an investment of

[24] Ibid., p. 1730.
[25] *Wall Street Journal*, Oct. 13, 1923.
[26] Moody's *Industrials*, p. 1945.
[27] Moody's *Industrials*, p. 1556.
[28] Ibid., p. 2090.

some $30 million through ownership of the Cuban Distilling Co.

The two most powerful Cuban newspapers are owned and controlled by the Govin brothers, Americanized Cubans. Not only these two—*La Prensa* and *El Mundo*—but two English language papers—the *Havana Post* and *Havana Telegram*—are owned by the Govins, who also own the *Journal of Commerce* in New York City. Their two Spanish language papers in Cuba represent two distinct and opposed political affiliations.

The Sevilla-Biltmore Hotel Corporation owns a large hotel with a new one under construction. It floated a $2 million bond issue here in 1922. Other American hotel corporations are represented with substantial investments.

The Atlantic Gulf and West Indies Steamship Line controls the Cuba American Terminal Co., the Havana and Santiago Warehouse Co., and the Santiago Terminal Co.

Other steamship and express companies with important holdings are the Atlantic Fruit Steamship Lines, the Grace Steamship Co., the Munson Lines and the Cuban and Pan American Express Co.

An unusually large number of American manufacturing companies have branch plants as well as selling agencies in Cuba. The Air Reduction Co. with the right to develop certain French patents in the country, Ford with foreign branches, the Coca-Cola Co. with manufacturing plants in Havana and Santiago, All America Cables, Inc., touching at Santiago, various film companies, including the ubiquitous Fox—these, with the hundreds of American firms distributing manufactured products on the island, comprise a list that may be had from any world commercial directory such as Kelly's or the membership roster furnished by the American Chamber of Commerce in Cuba, comprising some 260 members representing almost as many firms.

10. *Banking.*

American banks hold interests in Cuba totaling at least $20 million. Among others are the National City Bank of New York with 24 branches, the American Foreign Banking Corporation, the Trust Co. of Cuba organized by Norman H. Davis in

1905, the First National Bank of Boston, and the Federal Reserve Banks of Boston and Atlanta. United States business men also hold stock in the Banco Nacionale de Cuba and other native banks.[29] Speyer & Co. is one of the leading American houses interested in financing Cuban companies.

11. *Personalities.*

It is interesting to note the connections of some of the American captains of industry associated with Cuban development, all of whom are interested in both American corporations operating on the island and native companies about which little can be learned from the financial manuals. Some that might be mentioned by way of illustration are the following:

Sosthenes Behn—banker, President of the International Telephone and Telegraph Corporation, Chairman of the Cuban Telephone Co., President of the Havana Docks Corporation, Vice President of the Cuban American Telephone and Telegraph Co., Honorary President of the Insular Chamber of Commerce.

Horatio S. Rubens—who started as an attorney in Elihu Root's law office, became general counsel to the Cuban Junta in the revolution against Spain and later counsel to the Military Government in Cuba. He is President and Chairman of the Board of Directors of the U. S. Industrial Alcohol Co. which owns the Cuba Distilling Co., Director of the Cuba Co. and of the Cuba Railroad Co., and President of the recently organized Consolidated Railroads of Cuba. He has received gold medals for his services to Cuba, has been made an "Adopted Son of Havana" and received a vote of thanks from the Cuban Revolutionary Council.

Frank C. Munson—President and Director of Cia. Maratima Cubana and President of 10 other steamship lines most of them touching at Cuba; connected with hotel and industrial corporations in the country.

John Farr—interested chiefly in sugar firms; President of the

[29] American Chamber of Commerce in Cuba, *Monthly Bulletin*, June, 1924, p. 16.

Colonial Sugar Co., Vice-President of the Central Aguirre Sugar Co. and of the Cuban-American Sugar Co. and a director of Chaparra Railroad Co., Cuba Sugar Refining Co., Ponce and Guayama Railroad Co., Tinguaro Sugar Co. and Unidada Sugar Co., most of these being local companies.

W. E. Ogilvie—President of the Cuban Cane Sugar Corporation and an official of the following Cuban companies: Havana Central Railroad Co., American Cuban Estates Corporation, Cuban and Pan-American Express Corporation of Cuba, Czarnikow-Rionda Co., Havana Terminal Railroad Co., Matanzas Terminal R. R. Co., Planta Electric de Batabano, Tacajo Corporation, Tuinuco Sugar Co., United Railways of Havana, and the Washington Sugar Co.

Frank Steinhart—President of the Havana Electric Railway, Light and Power Co., has lived in Havana since the American occupation 1898–1902, in which he served as a sergeant, staying in Cuba after the occupation in charge of Archives and as Agent for the War Department. Later he was American Consul in Havana. He is now President of the Havana Electric and the dominant personality behind this organization in the securing of its many concessions from the Cuban Government. He is also connected with several big contracting companies. In the popular imagination he is considered the Cuban Rockefeller.

There are other New York and Boston, as well as Middle West business men, with interests nearly as great as the six just mentioned. They play major roles in the handling of the stakes of $1,360 million the United States now holds in Cuba.

DOMINICAN REPUBLIC

Outside of the banking interests of the International Banking Corporation (National City Bank), with seven branches in the Republic and almost complete control over the financial life of the country, American companies are operating sugar mills, flour mills and dye-extracting plants.

The South Porto Rico Sugar Co. owns all the stocks and bonds of the Central Romana, Inc., owning and operating 50,000 acres in the province of Seybo and a raw sugar factory with a 250,000 bag capacity.[1]

The Universal Leaf Tobacco Co. has a property in the country.[2]

All America Cables, Inc., has a 30 year concession to land cables, and to furnish international service for the country.[3]

Altogether, there are some 21 sugar mills in the Dominican Republic, variously owned, producing for the 1924–25 crop some 285,000 long tons. The growing American investment in sugar mills is now estimated at more than one-third of the total investment in that industry.

Cuban Dominican Sugar Co., once affiliated with the West India Sugar Finance Corporation, controlled by the National City Bank, has its major investment in this country. Its subsidiary, Cia. Azucarera Dominicana, owns 2 sugar factories with a combined annual capacity of 420,000 bags, and 65,662 acres of land of which 40,000 are exploitable cane lands, as well as a railway and equipment.

Still another company under the same control has 50,000 acres and a factory with a capacity of 3,200 tons a day, railways, 7 small villages and transport equipment.[4]

The Central Ansonia and the United Fruit Co. are also operating here. The latter runs several miles of railway as does Central Romana. The Consuelo plantation, also operated by Cuban Dominican, has a 40 mile railway with more under construction. The Barahona Company, Inc., another Cuban Dominican subsidiary, also operates plantation railway lines.[5] The five Dominican mills of Cuban Dominican have a total annual capacity of 1,015,000 bags.

The National Railroad formerly owned by the National City Bank has been sold to the government, which now operates it.

[1] Moody's *Industrials*, p. 208.
[2] Ibid., p. 2501.
[3] Moody's *Public Utilities*, p. 1045.
[4] Moody's *Industrials*, p. 2429.
[5] U. S. *Trade Promotion Series*, no. 5, pp. 309, 311–2.

HAITI

The Haitian Corporation of America (capital $3 million) is the leading United States concessionaire in Haiti. It was incorporated in 1923, to acquire the properties and subsidiary companies of the Haitian-American Corporation—comprising a railroad 55 miles long, an electric light and power company, a wharf company with an exclusive government concession, a sugar company with 15,000 acres, a sugar mill with an annual production of 215,000 bags of 320 pounds each.[1] The electric company referred to operates at Port au Prince and Cape Haitien.

Some other American concerns are the following:

The Haitian Pineapple Co., controlled by the California Packing Corporation, has 1,000 acres of pineapple lands, with options on 8,000 more and a canning plant under construction; the total investment when completed will be over $1 million.[2]

The Haitian American Sugar Co. operates 20 miles of narrow gauge railroad through its cane fields.

The Logwood Manufacturing Corporation is engaged in one of Haiti's staple industries, the reduction and export of logwood extract.

The North Haiti Sugar Co. has a small investment of approximately $185,000.

Another logwood exporter is the Compagnie Haitienne, with a capital of some $300,000, owned by the American Dyewood Co.

The United West Indies Co. is engaged in sugar cane production on approximately 10,000 acres, with an investment in machinery of possibly $100,000.

There are only three sugar mills in Haiti, all American-owned, with a total annual production of 14,000 tons.

The Banque Nationale de la Republique d'Haiti (National Treasury and bank of issue) with 8 branches and capital of $2 million, is owned by the National City Co. of New York.

[1] Moody's *Industrials*, p. 609.
[2] *Wall Street Journal*, June 21, 1923.

The National Railroad is in the hands of the National City Bank, R. L. Farnham of that bank being president and receiver of the road.

The United States and Haiti Telegraph and Cable Co. has representatives on its board of directors from American banks and is probably financed in New York. The latest report shows that this company is about to be taken over by All America Cables, Inc.[3]

W. R. Grace & Co. controls the stock of Société Commerciale d'Haiti.

[3] Moody's *Public Utilities*, p. 1045.

JAMAICA

Most of the foreign capital in Jamaica is from North America, either from the United States or Canada, rather than from Great Britain.

The United States has a major interest in Jamaica largely through the two fruit companies, Atlantic Fruit and United Fruit. The former owns 30,000 acres of banana property,[1] and the latter in 1923 had $4,385,514 invested in railways, equipment, hotels, buildings, cultivation, live stock, pasture land. The chief crops are bananas, cacao, coconuts, rubber.[2]

The Di Giorgio Fruit Co. owns 2,362 acres, of which 953 are in bananas and cacao.

The Jamaica Railway Co. is owned by Americans, the property being worth approximately $12 million.[3]

Certain properties in Kingston, owned chiefly in Canada, are operated by Stone and Webster.

The Commercial Cable Co., a corporation controlled by American capital, handles cable and wireless connections in Jamaica.[4]

The Jamaica Consolidated Copper Co., a Maine corporation with some $6 million capitalization, is interested in copper

[1] Moody's *Industrials*, p. 1758.
[2] United Fruit Co., *Annual Report*, 1923.
[3] Ingalls, *Wealth and Income*, p. 61.
[4] *Current History Magazine*, v. 20, p. 666.

properties on the island.[5] Certain sawmills are also the property of United States citizens.

The total American investment in Jamaica is now probably not more than $30 million.

[5] U. S. *Special Agents Series*, no. 169, p. 459.

PORTO RICO

Like the Philippines a conquest of war, and like Hawaii an insular possession and a territory, Porto Rico has been an important field for the investment of dollars. As noted in the table on page 32, most of the public debt is held in the United States. American industrial capital also predominates. A great deal of it is in sugar mills.

1. *Sugar.*

In 1917 American controlled sugar corporations were reported to have produced at least two-fifths of all the sugar of the island. This proportion has since increased.

Fajardo Sugar Co. owns 27,000 acres together with sugar centrals. The capital stock outstanding amounts to nearly $6 million.[1]

The Central Aguirre Sugar Co. owns a property valued at over $5 million and has a capacity of 60,000 tons per annum. Recently this company acquired a controlling interest in the Santa Isabela Sugar Co. with approximately $1 million capital.[2]

The South Porto Rico Sugar Co. operates through subsidiaries; one, the South Porto Rico Sugar Co. of Porto Rico (see under Dominican Republic, page 134) yielding about 75,000 tons annually.[3]

2. *Railways.*

W. R. Long lists certain Porto Rico roads, most of them owned by sugar companies in which Americans have entire or

[1] Tameling, Keen & Co., *Thirty-One Sugar Companies*, p. 25.
[2] Ibid., p. 10.
[3] Ibid., p. 45.

partial control. Among the railroads mentioned are the following:[4]

Ponce and Guayama Railroad Co. (N. J. 1903) owns 30 miles of main track and 18 miles of branches.

Porto Rican Railroad Co. operates under a charter known as the American Railroad Co. of Porto Rico. Operates 222 miles of main lines and branches in addition to trains on other roads.

Central Victoria Railway. Owned by the Central Victoria, Inc., a Spanish, French and American company. 18.6 miles of track.

Central Constancia Railroad. Owned by a Spanish and American company.

Central San Francisco Railway. Owned by an American Company.

Central Rufina Railway. Owned by an American company. 14 miles.

Central Mercidita Railway. Owned by a Spanish and American sugar company. 83 miles.

Central Vannina Railway. Owned by a Spanish, American and French company.

Central Pasto Viejo Railway. Spanish and American company. 24 miles.

Central Boca Chica Railway. American. 6 miles.

Central Los Canos. American. 18 miles.

Central Juncos Railway. Spanish, French and American. 37 miles.

Central Defensa Railway Co. American. 6 miles.

Central Juanita. American. 40 miles.

Central Monserrate. American. 10 miles.

Central Triunfo Railway. Spanish and American. 10 miles.

Central Cambalache Railway. Spanish and American. 27 miles.

Central Plazuela Railway. American. 40 miles.

Central Canovanas Railway. Spanish and American. 85 miles.

Central Cortada Railway. Spanish and American. 13 miles.

[4] U. S. *Trade Promotion Series*, no. 5, pp. 338–55.

Central Eureka Railway. American. 78 miles.
Central Plata Railway. Spanish and American. 7.4 miles.
Central Rochelaise Railway. American. 4.3 miles.
Central Coloso Railway. Spanish and American. 18 miles.
Central Aguirre Railway. American. 31 miles.
South Porto Rico Sugar Co. American. 8.5 miles.
Fajardo Sugar Co. American. 50 miles; and 100 miles of portable track.

3. *Other Public Utilities.*

The Porto Rico Gas and Coke Co. manufactures and supplies gas to San Juan, its capital investment being nearly $1 million.[5]

The Ponce Electric Co., managed by Stone and Webster, owns and operates electric railways and furnishes electric lighting and power.[6]

The Porto Rico Telephone Co., controlled by the International Telephone and Telegraph Corporation, serves 73 cities and towns and owns 730 miles of long distance and toll connections, 12,760 miles of wire and over 10,000 stations. It has a contract expiring in 1964.[7]

All America Cables, Inc., has connections with the island.

4. *Miscellaneous.*

The Universal Leaf Tobacco Co. owns properties,[8] and the Porto Rican-American Tobacco Co. (of New Jersey) owns all the stock of a company by the same name (of Porto Rico) and half the stock of the Porto Rico Leaf Tobacco Co. It floated a $3 million loan in the American market in 1921.[9]

The Minute Tapioca Co. of Massachusetts has a plant in Porto Rico, the National City Bank has branches, several American steamship companies own properties, and hundreds of small planters and dealers in sugar, pineapples, coconuts, cotton, oranges, grapefruit, bananas, coffee and other fruits, have brought their capital from the States.

[5] Moody's *Public Utilities*, p. 1575.
[6] Poor and Moody, *Public Utilities*, p. 482.
[7] Ibid., p. 1536.
[8] Moody's *Industrials*, p. 2501.
[9] Ibid., p. 979.

ISLAND OF TRINIDAD

The General Asphalt Co., controlling the New Trinidad Lake Asphalt Co., Ltd., has a concession from the British Government to exploit the asphalt in Lake Trinidad. The company owns over three thousand acres adjoining the lake and operates a refining plant of six mills with a refining capacity of 450 tons of refined asphalt per day.[1] The company has six other subsidiaries in addition to the New Trinidad Lake Asphalt Co.

[1] Moody's *Industrials*, p. 1998.

AUSTRIA

American banks and investors hold large amounts of the shares of the Lower Austrian Discount Co. of Vienna, controlling "fully or in part through stock ownership 64 important industries and banks," among which are the large Skoda Works (steel) of Pilsen and the Alpine Montan Co. (iron and steel). J. P. Morgan & Co. is interested in the Boden Creditanstalt, and United States citizens own shares of the Crédit Mobilier.

Americans also own the external securities of the Mercurbank, the Tyrol Hydro-Electric Co. and the Lower Austria Hydro-Electric Co., in addition to the internal obligations of many other public utilities and industrial companies including the Austrian General Electric Co. They are interested also in the Austrian Federal Railways and the Bruenner Machine Factory.

Some American firms represented in Austria are: Standard Oil (through Vacuum Oil Co.), and American Radiator Co., with plants. Fox * and other film companies are in the field.

* This film company has been one of the most enterprising in making foreign connection. It now claims full-fledged subsidiary nuclei, which often own chains of theatres, in some 49 countries.

BELGIUM

The following American interests represent a part of the dollars invested in Belgian industry:

Some $10 million of the bonds of Solvay & Co., chemical manufacturers, are held here (see table on page 36).

Union Minière, with a chemical factory near Antwerp, is partly owned by American copper interests (see under Africa, page 170).

Americans also control certain banks in Belgium, and the following American firms have plants or subsidiaries manufacturing in the country: H. W. T. Mali Co. (factory), Ford Co. (plant), Pittsburgh Plate Glass Co. (plant), Cities Service Co. (Cities Service Oil Storage Co.), Otis Elevator Co., Libby-Owens Sheet Glass Co. (this company controls subsidiaries also in France, Spain, Italy, Switzerland, and Germany), American Radiator Co. (subsidiary, National Radiator Co., and 2 plants), Standard Oil (Société pour la Vente du Pétrole and American Petroleum Co.), American International Corporation (International Mercantile Marine), United Shoe Machinery Co. of Belgium, with a shoe factory backed by American capital, Aluminum Co. of America (sales subsidiary), and other similar enterprises. American Locomotive Co. owns several million dollars' worth of Belgian bonds.

Several American banking firms, led by Lee, Higginson & Co. and White, Weld & Co., together with several Belgian financial institutions, have organized the American-Belgian Financial Corporation with a capitalization of 50 million francs (some $2.5 million at present rate of exchange), more than half of which is in the hands of the American banking syndicate.[1] American bankers also have an option on one-third of the capital stock of the Belgian Tubize Co., manufacturers of artificial silk.

The sales departments of dozens of large American corporations are represented in the membership of the American-Belgian Chamber of Commerce.

Ingalls estimated our total industrial investment in Belgium at possibly $40 million in 1920. It may be $50 or $60 million at present.

[1] *New York Times*, May 6, June 12, 1925.

CZECHOSLOVAKIA

American interest in Czechoslovakia has been confined chiefly to public bonds (see table on page 24), although American bankers are reported to be interested in the Moravia Hydro-Electric Co.

American financial interests have loaned money to Prague banks to assist the sugar industry,[1] and have also made substantial short-term loans to the textile industry.

Standard Oil Co. subsidiaries have done some oil prospecting, but as yet without definite results.

Various American mercantile enterprises, distributing concerns and film companies are active in the country.

[1] *Annalist,* v. 24, p. 165.

DENMARK

Bonds of the United Steamship Co., Ltd., of Copenhagen, amounting to $5 million, are held in the United States, and $2 million worth of the Copenhagen Telephone Co. (see table on page 38).

In addition to the various government loans of Denmark offered in the American market, the National City Bank has established a one-year credit for $40 million in favor of the Danish Government (1925).

General Motors Co. has a Danish subsidiary and an assembly plant,[1] as has the Ford Co. American interests hold shares in Burmeister and Wain, Ltd., manufacturers of marine and stationary engines.

Standard Oil is represented through a subsidiary—Det Danske Petroleum Aktieselskabet—and the Vacuum Oil Co. is also one of the many distributors of American products.

[1] *New York Times,* Nov. 15, 1923.

FRANCE

The substantial way in which American banks and investors

have shared in French railroads is indicated in the tables on page 38.

Practically all the French railroads are under obligation to American bondholders and the sale of these securities has been particularly active in recent months.

The relations of American financial houses to French money interests are very close, particularly as between J. P. Morgan & Co. and, through Schneider & Co., the Crédit Lyonnais.[1]

Standard Oil has more subsidiaries in France than in any other European country and through these it is said to be connected with the Wendell group and to have important connections through the Banque de Paris et des Pays Bas. Its French subsidiaries have held Czech and other concessions for oil explorations and drilling. The Bedford Petroleum Co. is one of its most important subsidiaries, owning large properties in France, including a refinery at Rouen.

American companies with plants and other investments in France run into the hundreds. A few examples follow:

Allied Machinery Co.,* Union Sulphur Co. of N. J. (Raffineries Internationales de Soufre, Marseilles), V. Vivaudou, Inc. (factory and branches, Paris), International Harvester Co.,† (plant at Croix and 1 twine mill), Stone and Webster, and the Foundation Co., interested in construction work directly and through subsidiaries, Ford Co., with plant at Bordeaux, International Combustion Engine Co.* (plant at Roubaix), Coca-Cola Co. (plant), Pierce Arrow Motor Car Co. (entire stock of a subsidiary with plant and capital of 2 million francs), J. I. Case Threshing Machine Co.,* Brunswick-Balke-Collender Co. (manufacturing plant), American Radiator Co.* (2 plants), Goodyear Tire and Rubber Co.,* Palm Olive Co.,* Libby-Owens Sheet

* Starred companies have subsidiaries in France.

† This company, as is well known, has an extraordinary investment overseas. In its report of 1913 the Department of Commerce and Labor credited International Harvester with large factories in Canada, Sweden, France, Germany and Russia, as well as marketing companies organized in France, Germany, Russia, Sweden, Norway, Denmark, Great Britain, Switzerland, Australia, New Zealand, Canada, Austria, with fibre production fields in Ecuador and fibre purchasing organization in the Philippines.

[1] *Wall Street Journal*, Aug. 30, 1923.

Glass Co.,* Turning Tanning Machine Co. (branch), Worthington Pump and Machinery Co.,* United Dyewood Corporation * (plant at Havre), Western Electric Co. (factory), Otis Elevator Co.,* Westinghouse Airbrake Co. (branch), Durham Duplex Razor Co. (plant), Pathé Exchange, Fox and other film services with subsidiaries, Eastman Kodak Co.* (capital of 2.5 million francs), American International Corporation, Radio Corporation of America, and others. The Aluminum Co. of America owns 100 per cent of the stock of a mining property—Bauxites du Midi.[2]

The International Telephone and Telegraph Corporation now owns a substantial interest in the Compagnie des Téléphones Thomson-Houston.[3]

Compagnie Industrielle des Pétroles is a Sinclair company with refineries, oil depots, warehouses, etc., scattered all over France. Its authorized capital is 40 million francs.[4]

The above list does not include the express companies, shipping companies and other commercial and trading firms, whose combined investments in France run into the tens of millions of dollars.

* Starred companies have subsidiaries in France.

[2] U. S. Federal Trade Commission, *Report on House Furnishings Industry*, v. 3, p. 93.
[3] *New York Times*, June 12, 1925.
[4] *Petroleum Register*, 1923, p. 382.

GERMANY

Private loans to the German dye, sugar, coal, potash and shipping industry and to banks on October 15, 1924, totalled some $50 million, which represents the known advances made by American financial interests to German industry up to the date of the Dawes Plan loan of $110 million. Industrial loans to Germany since then are partly covered in the table on page 38 and in the list on page 14.

Industrial financing has been done for Germany partly by the Equitable Trust Co., one of the first to enter the German field after the close of the war. This company headed a syndicate

which engineered the $4 million sugar credit; the Chase National Bank financed the potash industry with $6 million, and Dillon, Read & Co. and the International Acceptance Bank handled the $2.5 million loan to the German dye industry.

In addition to these bankers' loans to German corporations, the following companies with investments in branch plants and properties represent a part of the American industrial capital in Germany. Many of them are of long standing and easily weathered the war:

The Berlin Karlsruher Industry Co., formerly the German Arms Co., with a capital of 30 million gold marks, is reported to be now under American control.[1]

The Ford Co. is erecting a factory in the Mecklenberg-Schwerin district.[2]

The Singer Co. has a plant at Wittenberg, and controls the Nähmaschinen, A. G. of Berlin; the Quaker Oats Co., a mill at Hamburg; the Pfaudler Co. of Rochester, a plant at Schwetzingen.

The International Combustion Engineering Co. has an arrangement with the Stinnes interests; the International Agricultural Corporation owns 50 per cent of a large Sollstedt potash property including mines and a large chemical plant; the Mergenthaler Linotype Co. has a controlling interest in a large factory.

The Torrington Co. (Conn.) controls a German company; the Standard Varnish Works has a subsidiary and plant in Berlin; while International Harvester owns a plant and a twine mill at Neuss.

The Hamburg-American Line is now controlled by the United American Line under an agreement for 20 years' joint service.

The American Radiator Co. has 3 plants, and B. F. Goodrich Rubber Co. one employing 12,000 men. The Chicago Pneumatic Tool Co. operates through a subsidiary, and a subsidiary of Standard Oil of New Jersey, Deutsch-Amerikanische Petroleum Gesellschaft, has a large property and equipment.

[1] *Wall Street Journal*, Dec. 6, 1922.
[2] *New York Times*, May 23, 1924.

The Turning Tanning Machine Co., the International Mercantile Marine Co., the Radio Corporation of America, the Otis Elevator Co., Eastman Kodak Co., and various film corporations are also represented with good-sized investments in branch companies.

The pre-war investments of Americans in various German enterprises and the amounts sequestrated when the United States declared war on Germany amounted to $192,147,346.[3] It is clear that it will not be long before a much larger amount of American capital will be working there. Even before the Dawes Plan loan was floated, we find reports in a New York paper that one banking house received 100 letters from German firms within two weeks asking for loans in the New York market. The average loan requested was about $5 million. Considering these demands for industrial capital and the ones made upon other important banking houses it was considered "conservative to estimate that one billion dollars in credits has been asked for in this two week period." [4]

Similar reports appeared after the floating of the German Government loan as well as the announcement of the organization of two investment trusts specializing in mid-European investments, particularly in Germany.[5]

From October 15, 1924, to May 1, 1925 (see table on page 38), the following big German firms floated loans publicly in the American market.

Electric Power Co.	$ 5 million
Fried. Krupp, Ltd.	10
General Electric Co.	10
August Thyssen Iron and Steel Works	12
Siemens and Halske—Siemens Schuckertwerke	10

Americans are also reported loaning to Koerting Bros., Electrowerke, National Automobile Co., Deutsche Bank, Verlag Koenigs und Laura Huette, Hamil Concern (Good Hope Works); while the Stinnes-Ruhr heavy industries obtained a

[3] Ingalls, *Wealth and Income*, p. 67.
[4] *New York World*, Sept. 5, 1924.
[5] *New York Times*, Oct. 14 and 16, 1924.

$6 million credit in April, 1925, from a bankers' syndicate headed by Dillon, Read & Co.

The Botany Consolidated Mills of New Jersey in 1925 loaned some $2 million to Kammgarnspinnerie, Stoehr & Co., and the Elberfelder Textile Works—this loan giving the Botany a long-term option to acquire a 50 per cent interest in a holding company to control these concerns, which in turn control over 30 plants in Germany and also in Latvia, Hungary, Czechoslovakia, Italy and Holland.

Dillon, Read & Co. have a large holding in the Deutsche Luxemburgische Co., formerly a Stinnes enterprise, with eleven coal mines. Several other Stinnes properties are reported to have fallen partly into American hands.

The Leanard Tietze Aktiengesellschaft, one of Germany's largest chain store systems, secured a short term loan from American bankers early in 1925. Dozens of loans to German industries as well as municipalities are now in prospect, some of which, like the loan to the city of Coblenz, are being made by American bankers without any public offering. German issues dominated the foreign loan market in October, 1925.

GREAT BRITAIN

In 1923, Ingalls estimated that the largest investment of American capital in Great Britain was in the International Mercantile Marine, "almost all the stock of which is held in the United States," and whose vast properties and ships are known to all travellers through English ports.[1]

In addition to this investment in shipping, large amounts are involved in manufacturing enterprises of various kinds. The following list comprises only a few, practically all of which are combed at random from Moody's *Industrials* for 1924. A few of these may be only branch selling houses, but for the most part they represent either a flock of securities, a plant, a subsidiary with factories, or some other substantial unit of productive capital.

[1] Ingalls, *Wealth and Income*, p. 67.

Some American Enterprises in the British Isles.

O. C. Barber Co. (W. Va.)—owns securities in British firms including Bryant and May, Ltd., and Northwestern Rubber Co. of Liverpool.

Monsanto Chemical Works—owns a half interest in a company in North Wales.

B. F. Goodrich & Co.—Ajax Rubber Works in Lancashire.

International Combustion Engineering Co.—owns 98 per cent of the capital of Underfeed Stoker Co., Ltd. Also owns stock of International Combustion Engineering Co., Ltd., with a plant at Derby. Also part of stock of Vickers and International Combustion Engineering Co. associated with Vickers in another company.

Aluminum Co. of America—100 per cent of the stock of the Northern Aluminum Co., Ltd.

International Nickel Co.—a controlling interest in the Nickel Corporation, Ltd.

American Chain Co.—controls Parsons Non-Skid Co., Ltd.

Æolian-Weber Piano and Pianola Co.—majority of stock of Æolian Co., Ltd.

General Phonograph Co.—General Phonograph Co., Ltd., is a subsidiary.

Hadenfield Penfield Steel Co.—controls Hadenfields, Ltd., with large plant at Sheffield.

Yellow Cab Manufacturing Co.—subsidiary chiefly for selling purposes.

Ford Co.—plant producing parts in Ireland. Also at Manchester.

Remington Arms Co.—cartridge plant near London. Two British subsidiaries.

Singer Co.—manufacturing plant near Glasgow, Scotland.

Pfaudler Co.—subsidiary in London.

National Lead Co.—owns one-third interest in Harvey & Co., Ltd., Liverpool, operating the largest tin smelter in the world, using annually 45,000 tons of tin ore from Bolivia.

Yale and Towne Manufacturing Co.—subsidiary in London.

Wade and Butcher—cutlery plant at Sheffield.

Torrington Co. of Conn.—owns Covington Swaging Co. plant.

Gillette Safety Razor Co.—factory at Slaugh, England.

Mergenthaler Linotype Co.—controls Linotype and Machinery, Ltd., with factory near Manchester.

Durham Duplex Co.—plant at Sheffield.

Lanston Monotype Co. (Va.)—subsidiary chiefly for selling purposes.

Congoleum Co. (linoleums, etc.)—plant.

Ansco Photo Products Co.—controls Ansco, Ltd.

Anglo-American Oil Co.—stock held by Standard Oil; vessels, wharves and oil lands. The chief British operating company of the Standard organization.

Chesebrough Manufacturing Co. (vaselines)—plant.

Winchester American Corporation—in charge of the American financing for the new London Underground Goods Railway.

Valvoline Oil Co.—24 branches and depots in Great Britain and dependencies.

British Mexican Petroleum Co.—distributing stations.

United Drug Co. (Liggett Corporation)—subsidiary in England with 750 stores.

British-American Tobacco Co.—some American capital. Branches in England, colonies, China and other countries.

David A. Schulte interests controlling Dunhill International, a holding company controlling all the Dunhill pipe and tobacco interests.

Pillsbury-Washburn Flour Mills Co. with subsidiaries with same name in England, handling large interest there.

Quaker Oats Co.—Quaker Oats, Ltd.

U. S. Food Products Co.—represented through British Molasses Co. and another company.

Woolworth—156 stores and a warehouse.

McCaskey Register Co.—branch plant at Watford, England.

Library Bureau—Library Bureau, Ltd.

American Radiator Co.—two plants.

Eastman Kodak Co.—controlling Kodak Co., Ltd.

United Dyewood Corporation—subsidiary with plant at Glasgow.

Western Electric Co.—factory.

Westinghouse Airbrake Co.—Westinghouse Subsidiaries, Ltd.

Worthington Pump and Machinery Co.—subsidiary.

The Foundation Co.—owns a majority of the stock of the Foundation Co., Ltd., of England.

Turning Tanning Machinery Co.—branch at Leeds.

Chicago Pneumatic Tool Co.—subsidiary in Scotland.

Palm Olive Co.—subsidiary.

Grace Bros. & Co., Ltd., is connected with W. R. Grace & Co. of New York.

The Shubert theatrical interests have taken over a half-interest in several London theatres.

Dozens of other American companies manufacturing safety razors, filing cabinets, adding machines, suction sweepers, proprietary medicines, chewing gum, automobiles and other American products are represented by important subsidiaries; while mercantile, general shipping, construction, hotel, and film companies are among the American interests owning buildings, real estate and other property.

The following are some of the important American companies which are members of the American Chamber of Commerce of Great Britain; most of them, however, are large distributors rather than manufacturers in Britain:

General Rubber Co., General Motors Co., Firestone Tyre and Rubber Co., Federal Telephone and Telegraph Co., Diamond Match Co., Fairbanks Co., Fox Film Co., Goodyear Tyre and Rubber Co., Otis Elevator Co., Estates Crude Rubber Corporation, Thomas A. Edison Co., Du Pont de Nemours & Co., Dennison Manufacturing Co., Deere & Co., Ingersoll Watch Co., Corona Typewriter Co., Armour & Co.,* Swift Beef Co., Cudahy Packing Co., Willys-Overland Co., Ltd., Baldwin Locomotive

*We have seen on page 63 how many of the great American packing companies are represented in Great Britain. According to a report published by the British Government, American packers had in 1919 some 144 wholesale branches in the United Kingdom, most of them presumably belonging to the Big Five.[2]

[2] U. S. Federal Trade Commission, *Report on Meat Packing Industry*, part 4, p. 287.

Co., Vacuum Oil Co., Anglo-American Oil Co., Ltd., United States Rubber Co., Remington Typewriter Co., United States Glass Co., Sagamo Electric Co., Webster Electric Co., Oil Well Supply Co., National Cash Register Co., National Carbon Co., International General Electric Co., International Harvester Co., Ingersoll-Rand Co., Ltd., and Morgan Grenfell & Co., as well as practically every important American bank and banking house.[3]

The estimate for American capital directly invested in British industrial enterprises in 1920 was $300 million. It is probably from $100 million to $200 million greater at present and may aggregate more than half a billion dollars.

[3] *Anglo-American Year Book,* 1924, p. 144 ff.

GREECE

In addition to the $11 million of Greek Government bonds taken up in this country in 1925, American economic interests in Greece are represented also through holdings in the Anglo-American Bank of Greece.

Some $5 million of Greek Government bonds are held by Ulen & Co. in payment for the construction of water works in Athens. This American company is reported to have the exploitation rights to the works during the period of the loan, which runs for twenty-two years.

Industrial development, including drainage and irrigation work, estimated to cost $26 million, is provided for in a contract between the Foundation Co. and the Greek Government.[1]

The Standard Oil Co. of New York has large storage and distribution stations, and a can factory at Piræus.[2]

[1] *New York Times,* June 25, 1925.
[2] *Petroleum Register,* 1923, p. 114.

HUNGARY

In addition to the $9 million owed to American citizens by the Horthy government and the $3 million loaned to the Rima

Steel Co. (see tables on pages 28 and 40), Americans are also reported to be interested in the Hungarian Government Railways and the Hungarian Mortgage Bank, while several municipalities are now negotiating for loans in the American market.

It was announced in April, 1925, that H. J. Schroder & Co. of London had formed a syndicate to buy a large block of shares of the Hungarian Commercial Bank of Pest at Budapest. The American banking houses to participate in this purchase are the United States and Foreign Securities Corporation and the J. Henry Schroder Banking Corporation, on behalf of the Continental Securities Corporation.[1]

Among the important American corporations with branches and subsidiaries in Hungary are Standard Oil and the Worthington Pump and Machinery Co.

[1] *Annalist*, v. 25, p. 482.

ITALY

Our investments in Italy embrace several large ones in public utility enterprises, including over $8 million in the Italian Submarine Cable Co. and an initial $2 million in the Italian Power Co. The latter company was organized in 1924 and acquired the extensive properties of the Edison Electric Co. of Milan, an industrial corporation serving a territory with a population of five million and holding stocks in power generation and distributing companies in the adjoining districts.

The purpose of the Italian Power Co. is "to finance in the United States electric light and power companies operating in Italy." [1] Its stock publicity states that it will "confine its activities to providing a vehicle for the practical investment of American capital abroad under the supervision of a specialized group of American business men." Among these business men who are directors of the company are:

A. C. Bedford (died Oct. 1925), Chairman of the Standard Oil Co.

[1] Moody's *Public Utilities*, p. 1512.

J. E. Aldred, of Aldred & Co., bankers, connected with important American electric utilities companies.

A. W. Burchard, President, International General Electric Co.

A. V. Davis, President of the Aluminum Co. of America.

D. G. Wing, President of the First National Bank of Boston.

C. A. Coffin, General Electric Co., Electrical Securities Corporation.

J. W. Lieb, President, New York Edison Co.

A. H. Titus, President, First Federal Foreign Banking Association.

Philip Stockton, President, Old Colony Trust Co.

E. P. Royce, Vice-President of Stone and Webster.

The Standard Oil Co., through Società Italo-Americana per Petrolla, has a concession for the oil deposits of San Saba near Trieste and does a great importing business throughout Italy and its colonies.

The Sinclair Consolidated Oil Corporation is also reported to have negotiated for concessions in Italy, but none are at present in operation.

Other American companies interested in Italian industry are Western Electric Co. (plant at Milan), American Radiator Co. (2 factories), Otis Elevator Co., and Worthington Pump and Machinery Co. (subsidiaries), as well as the Radio Corporation, American International Corporation, Westinghouse Airbrake, Vacuum Oil Co., Allied Machinery Co., and various commercial concerns.

NORWAY

An American copper syndicate is reported to be investing some $8 million in the Grong Ore Mines of Norway and another $1 million in a railroad.[1]

The Radio Corporation has interests here and the Union Carbide and Carbon Corporation is represented by a subsidiary.

The Westinghouse Electric and Manufacturing Co. will supply 1 million kroner of the 4 million kroner capitalization of a new

[1] *Wall Street Journal*, Oct. 8, 1923.

Norwegian electric company which several Norwegian banking houses are organizing and which will take the place of the National Industrial Corporation, now in the process of liquidation.[2]

The Aluminum Co. of America is reported to own 5 million kroner, or one-third of the capital stock of the Norwegian Nitrogen Co., an aluminum smelting concern. A ten-year, six per cent loan of $1,800,000 of this company was privately subscribed by American bankers in 1925.[3] It also owns 50 per cent of the stock of the Norsk Aluminum Co. of Norway.

[2] *Annalist*, v. 25, p. 682.
[3] *New York Times*, June 6, 1925.

POLAND

Although Standard Oil has a subsidiary working in the Galician fields, the American interests in Poland are confined chiefly to public construction and general trade.

The Towarzystwo Naftowe Olejskalny Spolka Akcyjna, controlled by the Standard Oil Co. of New Jersey through its subsidiaries, was organized in Poland in 1921 by the American Swedish Group Standard-Nobel. Its object was to acquire and develop prospective oil properties in various parts of Galicia. *The Lamp* reports progress in this work: "In Poland we are active and have recently completed a well at Bitkow." [1]

Among the ten largest refiners in Poland are the Vacuum Oil Co. and the Galician Oil Co. The latest reports from Galician Oil Co. stated that it intends to put its capital into zloty shares and with the assistance of the Société Escompte of Lower Austria it plans to place this capital extensively in New York.[2]

The Radio Corporation of America has a contract for the erection of a high-power station near Warsaw for the Polish Government.[3]

The International Match Co., the big Swedish-American firm, obtained in 1925 a twenty year concession to manufacture all the

[1] *The Lamp*, v. 7, Feb. 1925, p. 7.
[2] *Annalist*, v. 25, p. 618.
[3] U. S. *Commerce Year Book*, 1922, p. 417.

matches in the country, the concession covering some 18 factories with a capacity of one billion boxes yearly.

Baldwin Locomotive Works sells railway equipment and holds the bonds of the Polish railways, and the American Smelting and Refining Co. has an interest in Polish currency. Represented on the directorate of the American Polish Chamber of Commerce and Industry in the United States are International General Electric Co., Vacuum Oil Co., American International Corporation, Guaranty Trust Co., National City Bank, Commonwealth Bond Corporation, Bankers Trust Co., American Road Machinery Co., all of which presumably have interests in trade and industry in Poland. Dillon, Read & Co. has also been associated with Polish financing.

In addition to loans to the Polish Government (see page 32) American bankers are reported to be interested in a loan to the city of Lodz and to a large hydro-electric company.

ROUMANIA

The Standard Oil Co.'s investment in Roumania represents approximately $70 million.[1] The Roumanian subsidiary is the Romana-Americana Corporation,[2] which is said to control 10 per cent of the Roumanian output of petroleum. The London *Economist* finds approximately the same percentage of the country's output produced by this American company.[3]

"Not only the oil business but International Harvester, Baldwin Locomotive and other American concerns have large investments there," said A. C. Bedford, Chairman of Standard Oil Co., commenting on Roumanian oil laws upon his return from Europe in 1924.[4]

The total American investment in the country may be $85 million, with additional large loans to the Roumanian railroads, the

[1] *New York World,* July 13, 1924.
[2] L'Espagnol, *World Struggle for Oil,* p. 51.
[3] *Economist,* v. 99, p. 389.
[4] *Annalist,* v. 24, p. 144.

Roumanian Government, the city of Bucharest, and the Industrial Mortgage Bank of Roumania, in prospect.

SOVIET RUSSIA

(including all the states federated in the Union of Socialist Soviet Republics)

The amount of American capital invested in Russian industry, pre-revolution, was approximately $58,875,000, all of which has since been expropriated by the Soviet Government and written off the books of the American companies. United States capital comprised but about 5 per cent of the total foreign investment of $1,120 million in Russia before the war.[1]

So far as we have been able to discover no estimates have been made of the American capital introduced into Russia since 1917. One estimate is that 18 per cent of the concessions granted up to April 1, 1924, were given to American firms, which ran second to German firms but ahead of British concessionaires.[2] The American concessions at that time, ten in number, included oil (a Barnsdall subsidiary in Baku, and Sinclair in Sakhalin, both since cancelled), asbestos, mining and importing (Allied American Corporation), gold mining (Harga Co.), and various trading concessions, as well as agreements with American workers' corporations (Russian-American Industrial Corporation, Kuzbas, and Russian Reconstruction Farms, Inc.) for participation on a mixed basis with Russian government trusts and syndicates.

The one mining concession covers rich manganese fields in the Georgian Soviet Republic; it goes to W. A. Harriman & Co. of New York.[3] Under the contract the Harriman company invests $4 million in new railways and pays the Soviet Government $3.2 million annual royalty. The *New York Times* reports: "The contract also includes the construction of docks and other facilities

[1] Pasvolsky and Moulton, *Russian Debts and Russian Reconstruction*, p. 182.
[2] *Commercial and Financial Chronicle*, v. 119, p. 1237.
[3] *New York Times*, Oct. 4, 1924, and May 9, 1925.

at the Black Sea port of Poti, the shipping point of manganese from Georgia." [4]

Revolving credits to the All-Russian Textile Syndicate have been granted for the past several years by the Chase National Bank and the Equitable Trust Co.

American banking interests are participating to the extent of 50 per cent in the British Lena Gold Fields Corporation, which has secured a concession on a million and a half acres of gold, silver, copper, zinc and lead bearing fields in Siberia. This concession was negotiated by an American formerly connected with the American Relief Administration.[5]

Exports of furs, agricultural products and kustar materials are covered in contracts with minor American firms, while workers' technical aid groups have invested money in tools and tractors which have been sent to Russia along with colonists.

[4] *New York Times*, May 19, 1925.
[5] Ibid., May 2, 1925.

SPAIN

A subsidiary of the Western Electric Co., Telephones Bell, S. A., with offices in Madrid and plant in Barcelona, runs an electric and Bell phone supply business in Spain and the Spanish Possessions.

The International Telephone Corporation owns a portion of the common stock of Cia. Telefonica Nacional de España, which operates the entire telephone system formerly operated by the Spanish Government, covering some 800 cities and towns with a total of over 70,000 stations.[1]

It was reported in 1924 that a group of international bankers including several New Yorkers were about to organize a company to construct a number of electric railway lines in Spain, the total mileage to be 1,560 miles. This company is said to have a large capital. The work is done for the government, which after construction leases the lines to the international company.[2]

[1] Poor's *Public Utilities*, 1925, p. 1714.
[2] *Annalist*, v. 24, p. 165.

The Union Sulphur Co. of New Jersey has a subsidiary in Spain, the Ford Co. and Libby-Owens Sheet Glass Co. have native affiliations, and the American Radiator Co. runs two plants.

The Interocean Oil Co. has been investigating potential oil lands in Spain,[3] and the H. J. Heinz Co. has a factory.

A few members of the American Chamber of Commerce in Spain are the United Shoe Machinery Co., Æolian Co., Allied Machinery Co., American Aniline Products, Inc., Remington Typewriter Co., Singer Sewing Machine Co., Standard Oil Cloth Co., and various New York banks and trading companies.[4]

[3] *Petroleum Register,* 1923, p. 393.
[4] American Chamber of Commerce in Spain, *Annual Report,* 1918.

SWEDEN

American firms known to have subsidiaries or other enterprises in Sweden are the following:

International Harvester Co., factory and twine mill.

The Radio Corporation is under contract to erect high-power stations.

Certain film corporations including the Fox interests are represented, and American banking firms are reported to be extending loans to the Granesberg Co.

International Match Co. floated a $15 million bond issue in the United States in 1923. It now owns the stock of the Swedish Match Co., whose activities cover some 42 plants on the continent of Europe. Among the directors of International Match are P. A. Rockefeller, H. O. Havemeyer, John McHough, F. W. Allen and S. F. Pryor.

Standard Oil and other American industrials are represented through sales subsidiaries.

OTHER EUROPEAN COUNTRIES

The other countries of Europe have been penetrated by American companies in one form or another. The larger American distributing and mercantile companies of course have properties

everywhere, including the Balkans. The names and the number are scarcely worth recording.

It is important to note, however, the $25 million American investment in the bonds of the Jurgen United Works and the Holland American Line under the flag of the KINGDOM OF THE NETHERLANDS. Standard Oil, the Radio Corporation of America, and various film companies as well as scores of sales agencies from the United States are active in the Dutch market. American money has built electric railways and assisted in other public utilities in Holland. Royal Dutch Shell has possibly $10 million of its shares in the United States; Ingalls estimated the amount in 1920 at $7,158,000. The Shell Transport and Trading Co. has also sold its shares here in considerable quantities.

In SWITZERLAND some American capital is invested in silk manufacturing companies as well as in the public works of various states and municipalities. The Libby-Owens Sheet Glass Co. has a subsidiary, and the Gruen Watch Co. (Ohio) has a plant at Biel. The usual express companies, travel agencies and mercantile companies are present and some American capital is in the hotels and other companies catering to American tourists.

The Aluminum Co. of America owns 95 per cent of the stock of an important mining property in JUGOSLAVIA, the Jadranski Bauxit Dionico Dustro.[1] The National City Bank helps FINLAND by extending large credits to the Finnish lumber interests.

[1] U. S. Federal Trade Commission, *Report on House Furnishings Industry*, v. 3, p. 93.

CHINA[1]

The growth in American commercial relations with China in the last decade or so is illustrated by the figures for trade in the years 1914 and 1924. Our exports to China for the year ending June, 1914, amounted to $24,628,000; for the year ending June, 1924—$124,436,000.[2]

The growth in the membership of the American Chamber of

[1] Pan, *Trade of the United States with China*, is the most important book to read in connection with this chapter.

[2] *Annalist*, v. 24, p. 366.

Commerce in China also shows the increasing importance of our connections there. In March, 1916, there were 34 firms and 28 individuals in the Chamber; in 1924 at least 150 firms and 300 individuals.[3]

According to the *New York Herald,* there were 136 American firms in China in 1914 and over 400 in 1920.[4] The Department of Commerce lists 264 such firms in Shanghai alone.

It will be seen from these figures that our development in China has been chiefly in the mercantile field. Bonds of Chinese companies, however, are said to be held widely in this country, in addition to the $7.5 million in the Hukuang Railroad.

*Some American Firms in China.**

Pacific Development Co., engaged in general industrial and commercial development in the Orient. Owns Andersen, Meyer & Co., United States Pacific Co., Sun Cheong Milling Co., W. G. Pratt & Co., and South Seas Pacific Co. It owns also the Pacific Commercial Co. and is one of the three members of the American banking group which together with Chinese financiers founded the Chinese American Bank of Commerce.[5] (This company reported in hands of receiver January 5, 1925, but its subsidiary units continue in operation, Andersen, Meyer & Co. being by far the largest. It is described as "engineers and contractors, manufacturers and commercial agents.")

The Standard Oil Co., in addition to its vast sales of illuminating oil to the Chinese, has held a concession, now abandoned, for the exploitation of the native oil fields.[6] It owns also candle factories, tin-goods factories, kerosene storage tanks, and considerable land.[7] A candle factory at Tientsin has a capacity of 400,000 candles daily.

* Cf. in this connection "American Investment Possibilities in China" by E. Stanley Glines, in *Foreign Securities Investor,* Jan. 21, 1925, p. 3.

[3] American Chamber of Commerce in Cuba, *Monthly Bulletin,* June, 1924.
[4] Ingalls, *Wealth and Income,* p. 68.
[5] Moody's *Industrials,* p. 1479.
[6] Ibid., p. 2407.
[7] Great Britain, Foreign Office; *List of Industrial Enterprises in China and Hong Kong,* pp. 39, 52.

The American International Corporation owns 51 per cent of the $1 million stock of the China Corporation, organized in connection with plans for the construction of railways and canals in China.[8]

The Federal Telegraph Co. (Rudolph Spreckels, President) owns 50 per cent of the $13 million capital of the China-Federal Radio Co. The Federal Telegraph Co. has several high-power wireless stations under construction and a contract for more made with the Chinese Federal Radio Corporation. In January, 1924, the rights and titles in this contract were transferred to the Federal Telegraph Co. of Delaware, which is owned equally by the Radio Corporation of America, and this company.[9]

Barron's reports: "Through its subsidiary, Federal Telegraph Co. of Delaware, the Radio Corporation of America is negotiating for the building and operation in 18 months of a number of stations in China." [10]

The International Mercantile Marine Co., controlling the Pacific Mail Steamship Co., has investments in the country.

Other firms of importance are the Chinese-American Investment Co., in which Hayden, Stone & Co. are interested, the American Oriental Banking Corporation (3 branches), the Robert Dollar Co. with wharves and buildings, American Manufacturing Co., Chinese-American Bank of Commerce (7 branches), Asia Banking Corporation (6 branches), Equitable Eastern Banking Corporation, Asia Development Co., Vacuum Oil Co., Texas Oil Co., International Banking Corporation,* International General Electric Co., American Express Co. (4 branches), and hundreds of other American firms including merchants, small manufacturers, traders, steamship companies, express companies and distributors. The *Shanghai American* and other influential Chinese papers are owned and controlled by American capital.

* According to Pan, there are at present 28 American banks in China, including the Chino-American institutions. These 28 are, broadly speaking, foreign institutions. They belong to 6 organizations, only one of which, the International Banking Corporation, was in the field five years ago. It now has 8 branches.

[8] Moody's *Industrials*, p. 1703.
[9] Moody's *Public Utilities*, p. 1485.
[10] *Barron's*, Oct. 6, 1924, p. 8.

The chief American companies with which the Chinese Government has made contracts for public financing or the construction of public works are the following: American International Corporation, Bethlehem Steel Co., Continental and Commercial Trust and Savings Bank of Chicago, International Banking Corporation, Lee, Higginson & Co., Siems and Carey, and the Standard Oil Co. of New York.[11] The American group in the Chinese Consortium includes some 40 firms, headed by J. P. Morgan & Co.

[11] MacMurray, *Treaties and Agreements With and Concerning China*, v. 2, p. 1560, gives the full text of certain agreements drawn up between China and above corporations. Pan, *Trade of the United States with China*, pp. 301–18.

DUTCH EAST INDIES AND MALAY PENINSULA

Rubber is our chief concern in these parts, the leading American companies having established themselves in the production of the crude product. Among them are:

General Rubber Co. (in which American International Corporation is interested) is the buying agent for the United States Rubber Co. The properties controlled are in Sumatra and on the Malayan Peninsula and comprise a total of 111,145 acres, of which 70,981 are planted and 46,258 producing. These are said to constitute the largest rubber estates in the world and will ultimately supply the United States Rubber Co. with a large part of the raw material it requires.[1]

The Malay Peninsula plantations of the General Rubber Co. cover 22,000 acres out of the 111,145, with 10,000 of them planted.[2]

Goodyear Tire and Rubber Co. controls 18,000 acres in Sumatra, the Manhattan Rubber Co. some 2,000 acres in Java, the Continental Rubber Co. some 20,000 in Sumatra.[3] A subsidiary of the Firestone Tire and Rubber Co., with headquarters in Singapore, furnishes the main portion of that company's crude rubber supply.

[1] *Magazine of Wall Street*, v. 16, p. 316. U. S. Rubber Co., *Annual Report*, 1924, p. 4.

[2] Miller, *Some Great Commodities*, p. 143.

[3] Ingalls, *Wealth and Income*, p. 68.

The total value of this investment of the rubber companies in this territory is probably around $15 million.[4] Another estimate in 1924 was $14 million.[5]

In the trading and selling field such large American corporations as Standard Oil (Columbia Oil Co.), United States Steel Export, Baldwin Locomotive Works, and Lucy Manufacturing Co., as well as other important American rubber companies, are represented.

The International Banking Corporation has a branch, though most of the long time public financing is done through a syndicate headed by the Guaranty Co. The International Mercantile Marine Co. properties are in Singapore. Guggenheim Bros. operates a tin dredging property.

The Standard Oil Co. of New Jersey has an 80 mile pipe line and is building a refinery in Sumatra, and owns a small refinery in Java. Its concessions in Borneo, Sumatra, and Java are held through a subsidiary, N. I. Koloniale Petroleum Maatschappij.[6]

[4] Idem.
[5] *Annalist*, v. 24, p. 46.
[6] *Petroleum Register*, 1923, p. 378.

INDIA

American interest in Indian manufactures, compared with British interests,* is almost negligible and is confined chiefly to the jute and shellac industry. Some of the firms recorded are the following:

American Manufacturing Co., with a jute factory at Calcutta.

Ludlow Jute Co., a subsidiary of the Ludlow Manufacturing Association of Massachusetts, with a plant and extensive business.

Angus Co., jute cloth and engineering works.

Cleveland-Akron Bag Co. (reported sold to Chase Bag Co.).

Riegal Sack Co., jute products.

In addition to this type of manufacturing unit American exporters and importers and sales agencies are well represented,

* For information on British companies in India see *Indian Year Book*, 1924, and *The Investors India Year Book*, 1923.

while the International Banking Corporation has branches in several cities. Kidder, Peabody & Co. is interested in shellac enterprises and Standard Oil is represented.

JAPAN

In addition to the $125 million loan to the Japanese Government, a large part of which is being used for industrial reconstruction purposes, Americans have invested substantial amounts in the Oriental Development Co., the Industrial Bank of Japan, the Great Consolidated Electric Power Co., the Tokio Electric Light Co., Ltd., the Toho Electric Power Co., Ltd., and the Ujigawa Hydro-Electric Co. (see tables on pages 28 and 40).

Electrical companies have been particularly active in making combinations with Japanese firms. In 1923, the Japanese-American Engineering and Contracting Co. (capital $50 million) was organized, control being shared by American and Japanese capitalists.

The General Electric Co. has combined its Japanese business with that of the Shibaura Electric Works, and the Westinghouse Electric Co. of Japan distributes directly the products of the Westinghouse Electric and Manufacturing Co.

The Western Electric Co. has combined with the Nippon Dento Electric Works; and the Tokyo Electric Co., after absorbing 9 competing firms in 1923, concluded a combination with the Western Electric Co.

Most of these electric companies are actively engaged in electrical goods manufacture, construction of power plants and lines, as well as imports and sales.

The Oriental Consolidated Mining Co. owns ten gold mines in Unsan District of Korea.[1]

The American International Corporation together with the Allied Machinery Co. of America controls Horne Co., Ltd., of Japan (machines and tools), which includes among other plants the Yamata Iron Works of Japan.[2]

[1] Moody's *Industrials*, p. 962.
[2] Ibid., p. 1703.

The Ford Motor Co. is operating a new plant at Yokohama.

Americans are interested also in flour mills and in general banking and trading. Some of the best known firms with property investments are the Asia Banking Corporation, the Radio Corporation of America, American Trading Co., International Banking Corporation (four branches), Libby-Owens Sheet Glass Co. (subsidiary and plant), International Oil (Standard Oil subsidiary), Robert Dollar Co., the Aluminum Co. of America, owning 60 per cent of the shares of the Asia Aluminum Co., and various steamship, express, film, life insurance and commercial companies.

MESOPOTAMIA

American interest in the oil of the Kingdom of Iraq (British mandatory territory from the League of Nations) is represented through the Turkish Petroleum Co., which has secured a 75 year concession to exploit the petroleum deposits throughout the entire country, with the exception of the Vilayet of Basrap, which means 90,000 out of the 143,000 square miles in the country. The American companies now hold a 25 per cent interest in the Turkish Petroleum Co., having acquired one-half the shares held by the Anglo-Persian Oil Co. The other participants in the company are the Anglo-Persian Oil Co. (British government control), the Anglo-Saxon Petroleum Co. (Royal Dutch Shell group), and France, represented by some 65 companies.

The American companies involved in the 25 per cent ownership of the Turkish Petroleum Co., and holding the shares in equal parts, are the Mexican Petroleum Co., Gulf Refining Co., Atlantic Refining Co., Pan-American Petroleum and Transport Co., Sinclair Consolidated Oil Co., Standard Oil Co. of New York and Standard Oil Co. of New Jersey.[1]

The Turkish Petroleum Co. has also received the right to construct a pipe line through the French mandatory area of Syria to a Mediterranean port.

[1] *Wall Street Journal*, May 1, 1925. *Political Science Quarterly*, v. 39, pp. 265–279.

PHILIPPINE ISLANDS

As we have noted in the table on page 30, practically the entire bonded debt of these island possessions of the United States is held here. The same cannot be said, however, of the corporate securities and particularly of investment in the commercial field, where the British are still in the lead.

A comparison of the capital invested in Philippine commerce, industry and manufacturing by four capital exporting countries is given in the following table; [1]

FOREIGN CORPORATIONS CAPITALIZED IN THEIR HOME COUNTRIES, REGISTERED AND DOING ACTIVE BUSINESS IN THE PHILIPPINES.

(Only the four leading countries listed here—*Annalist* Table gives 17.)

	Commerce		*Industry*		*Manufacturing*		*Total*		*Equivalent Philippine Currency*
	No.	Capital	No.	Capital	No.	Capital	No.	Capital	(Pesos)
	(Amounts in thousands)								
England	71–	£98,721	—	—	5–	795	78–	£99,570	968,607
U. S.	55–	$122,554	15–	10,575	24–	143,381	101–	$276,511	553,022
	marks:								
Germany	26–	366,250	—	—	—	—	26–	M336,250	174,486
	yen:								
Japan	11–	131,500	—	—	—	—	11–	Y131,500	131,105

It will be noted that Americans have nearly $154 million invested in industry (including sugar plantations and mills) and other manufacturing, while practically the entire British investment is in commercial companies.

The average unit of investment by Americans is somewhat smaller than that of the British capitalists, who, however, have but 78 enterprises to the Americans' 101.

American money is invested in public utilities, railroads and banks as well as in the production and export of the chief agricultural products of the islands. A few American interests are as follows:

The Manila Electric Railway and Lighting Corporation, which operates the Manila electric railways and lighting of the city, is controlled by American capital and managed by the J. G. White Management Corporation. According to an announcement in

[1] *Annalist*, v. 23, p. 165. A higher estimate for American corporations is given in the *Statistical Bulletin* of the Phillippine Islands, No. 3, p. 255.

the press in May, 1925, the Associated Gas and Electric Co. of New York is seeking to acquire control of this important utility.

The Telephone Investment Corporation of Nevada owns the Philippine Island Telephone and Telegraph Co. of Manila and other telephone lines on the islands.[2]

The Philippine Railway Co. is American controlled and numbers among its directors N. T. S. Green, J. H. Pardee, Cornelius Vanderbilt and J. G. White. The White corporation operates a number of other public utilities under American control.

American capital predominates in the SUGAR exporting business, some of the chief exporters of centrifugal sugar being Welch, Fairchild & Co., H. W. Peabody & Co., and the Mindora Sugar Co. Mindora and other American companies such as the Calamba Sugar Estate (extensive holdings) [3] and the Central Sugar Corporation are interested also in operating centrals and plantations in the sugar fields.

The Americans are also big exporters of HEMP purchased from native producers. Some typical American firms in this class are the Pacific Commercial Co., the Philippine Commercial Co., Peabody & Co., Hanson and Orth, and Peter & Co.

In the important EMBROIDERY industry are engaged over a dozen companies financed from the United States. The American investment in this field of manufacturing and exporting embroidery has been estimated at $7 million, comprising nearly three-fourths of the total capital invested in this business in the islands.

LUMBER mill owners and exporters numbered among the American companies are the Insular Lumber Co., the Cadwallader-Gibson Lumber Co., and the Findlay, Millar Timber Co. Out of a total investment of about $5 million in the lumber business the Americans are estimated to control approximately one-fifth.

The purchase and exportation of TOBACCO and cigarettes is also carried on by American firms, as is the COCONUT, copra and coconut products business, which involves the operation of desiccated coconut factories and the manufacture and sale of coconut oil.

[2] Poor and Moody, *Public Utilities*, p. 2541.
[3] Moody's *Industrials*, p. 1140.

The Philippine Refining Corporation, the Proctor and Gamble Trading Co., and various other American companies are represented in this field.*

American BANKING interests are represented partly through the International Banking Corporation (National City Bank).

American business men connected indirectly with the Harriman National Bank are on the board of directors of the Philippine Refining Co. and other companies. Philippine bonds are floated in the American market largely through the firms of Hallgarten & Co., The National City Co. and Kuhn, Loeb & Co.

In 1923 the Richmond Petroleum Co., a subsidiary of Standard Oil Co. of California, started to drill a fourth well on the Island of Luzon, the Standard announcing at the time that it had spent over $1 million in development work in the Philippines.[4]

The Pacific Commercial Co., hemp exporters, is widely interested in stores and has control of the largest importations of groceries into the island.

Johnson, Pickett & Co., has a million dollar investment in a cordage factory.

The San Juan Heights Co., Inc., of Manila, also an American firm, has real estate investments amounting to at least $10 million.

American steamship companies such as the Pacific Mail Steamship Co. (International Mercantile Marine Co.) have properties in the islands.

The United States Shoe Co. has the largest shoe manufacturing plant in the Far East, and the Luzon Stevedoring Co. is the largest of its kind in the islands.

As a field for the cultivation of plantation rubber the Philippines are said to possess fruitful possibilities, but up to date no concessions to American or other foreign companies are known to have been granted, although one or two investigations and offers have been made by the Firestone and other interests. One

*For a full list of companies—nationality not indicated—engaged in the various trades and industries see *A Commercial Hand Book*, prepared by the Philippine Carnival Association, with the coöperation of the Bureau of Commerce and Industry, for the Commercial and Industrial Fair held at Manila, Feb. 7 to 15, 1925.

[4] *Petroleum Register*, 1923, p. 378.

writer reports: "In the island of Basilan there is a big plantation, under American management." [5]

[5] *Nation*, v. 117, p. 629.

TURKEY

The interests of the Ottoman-American Development Co., owning the so-called Chester Concession in Asia Minor, have not been developed and the option for the concession is reported to have lapsed. This concession, about which there has been considerable publicity, has been valued at anywhere from $100 million to $1 billion. It included the right to exploit oil wells, mines, railways and harbors. In the summer of 1925 a spokesman of the company reported that Admiral Colby M. Chester, his sons and other Americans owned nearly all the stock of the company and that some $100 million of financing would be carried by American and European houses.[1] The company also invited American oil companies to participate in developing the petroleum end of the concession covering fields in Mosul and Eastern Anatolia.[2] There is no immediate prospect of the concessions's revival.

Americans are indirectly interested in Asia Minor through the Turkish Petroleum Co., in which American companies own a 25 per cent interest (see page 165), and also through the American Tobacco Co., exporting leaf tobacco. Standard Oil is reported to have large properties in Smyrna and other Turkish cities, estimates of its investment running as high as $5 million.

Estimates of the present total actual American business investment in Asiatic Turkey vary from $10 million to $15 million.

[1] *New York Times*, Apr. 22, May 27, 28, June 10, 18, 1925.
[2] Ibid., June 28, 1925.

AFRICA

American interest in Africa is chiefly through European companies and is confined to scattered investments in oil, tobacco and minerals.

Sinclair Consolidated Oil Corporation owns one-half the stock of Companhia de Petroleo de Angola which holds permanent oil rights in Portuguese West Africa (Angola) to about 70,000 square miles.[1] A white staff of some 50 persons is now on the grounds, and several wells have been sunk. A report of the company says: "Outside of the United States and Mexico the most active prospecting or development operations now being conducted are in Portuguese West Africa." [2]

The Anglo-American Oil Co., a Standard Oil firm, owns a concession to exploit the oil possibilities in Abyssinia.[3]

J. P. Morgan & Co. and other American firms, for example Guggenheim Bros., are interested in the Consolidated Diamond Mines of Southwest Africa, Ltd., the name used by the Anglo-American Corporation (largely American capital) in taking over the German mines in the southwest protectorate.[4] The Anglo-American Corporation of South Africa controls the main diamond production of the Southwest African Protectorate and is interested in several mining companies, including Cia. de Diamentes de Angola and the London Diamond Syndicate.[5]

Americans have purchased a substantial amount of Rand Mines, Ltd., shares.[6] Ingalls reports the taking in 1920 of some 60,000 shares worth $2 million and also of 80,000 shares or $3,760,000 worth of De Beers Consolidated.[7] In April, 1925, only 25,400 of these shares were outstanding in the New York market.

A part of the stock of the Katanga Railroad, the most important line in the Belgian Congo, is owned by the Union Minière, in which there is a considerable American investment (see under Belgium, page 141), the largest shareholder outside of the Belgian Government being Thomas F. Ryan, who in 1920 held

[1] Moody's *Industrials*, p. 2377.
[2] Sinclair Consolidated Oil Corporation, *Report to Shareholders*, Apr. 20, 1925.
[3] *Mineral Industry*, 1923, p. 504. *Petroleum Register*, 1923, p. 383.
[4] *Annals*, v. 112, p. 82.
[5] *Wall Street Journal*, Mar. 19, 1924.
[6] Moody's *Industrials*, p. 2328.
[7] Ingalls, *Wealth and Income*, p. 68.

some 8,000 shares.[8] Four of the directors of this company are Americans.

Certain American interests are large shareholders in the British-American Tobacco Co., which is affiliated with the United Tobacco Co. in South Africa.[9]

The Union Sulphur Co. of New Jersey has a subsidiary in Algiers. Stone and Webster are reported to be represented in Tangier. The Astor Mahogany Co. has a branch in Axim, Africa. Goodyear and other rubber companies buy through their own subsidiaries in Africa.

A concession of one million acres has been granted by the Liberian Government to the Firestone Plantations Co.[10] It is announced that $100 million will be invested in rubber development. The J. G. White Engineering Co. will handle part of the construction work. The Firestone Tire and Rubber Co. says: "We have also established an organization on the West Coast of Africa in Liberia. We are receiving some rubber from there and hope to develop a large and important rubber industry in that country." [11]

A loan to the Liberian Government in 1913 is still held in part in this country. Although the total amount outstanding is now $1,426,700, Moody's Industrial Service believes "the amount held in this country does not exceed $300,000, all of which is held by the bankers, no bonds having been offered to the public." The National City Co. is identified with the loan.* Another loan for about $5 million is now (July 1, 1925) being arranged coincident with the conclusion of the agreement concerning the Firestone rubber concession.[12]

Negotiations for the sale of the large interests of Mannesmann Bros. of Berlin in the Spanish zone in Morocco and the Riff to

* For the extraordinary conditions surrounding this international loan see: U. S. Ways and Means Comm., 67: 2; *Credit for Government of Liberia: Hearings;* and *Nation,* v. 114, pp. 639–40.

[8] *Wall Street Journal,* May 9, 1923.
[9] Ibid., July 26, 1923.
[10] *New York Times,* Oct. 15, 1925.
[11] Firestone Co., *Annual Report to Stockholders,* 1924.
[12] *New York Times,* June 27, 1925.

an Anglo-American Syndicate were reported in 1925. The property includes harbor works, mines and agricultural lands.

The usual sales and distributing agencies of big American steel, oil, and machinery companies are represented particularly in South Africa.

In the Canary Islands the United Fruit Co. has an investment of $1,071,552.[13]

[13] United Fruit Co., *Annual Report*, 1923.

AUSTRALIA AND NEW ZEALAND

Cia. Swift Internacional (affiliate of Swift & Co.) owns the entire stock of the Australian Meat Export Co.,[1] and Armour & Co. also has interests in Australia.

Through the Kerr Lake Mines, Ltd. (Lewisohn interests), an American investment is held in the Rima Gold Dredging Co. Approximately $1 million has been put into this enterprise.[2]

A number of selling and export companies are on the ground, and the Palmolive Co. (with a plant), Westinghouse, Goodyear, Æolian Piano, Warren Bros. and several film companies have subsidiaries.

The Vacuum Oil Co. is prospecting for oil in Australia through its subsidiary, the Vacuum Oil Co., Prop., Ltd.[3]

In addition to the municipal and provincial loans listed on page 22, a $75 million loan to the Australian Government was offered in 1925, the first of its kind floated in America.[4]

[1] Moody's *Industrials*, p. 2429.
[2] Ibid., p. 134. Ingalls, *Wealth and Income*, p. 68.
[3] *Petroleum Register*, 1923, p. 118.
[4] *New York Times*, July 9, 1925.

HAWAII[1]

Being a territory of the United States, Hawaii like Porto Rico is foreign only in the fact that it is a non-contiguous area with a population of largely alien people. Its leading capital-

[1] Pettigrew, *Course of Empire*, ch. IV.

ists are of course Americans resident on the islands, many of them being the descendants of New England missionaries who invaded the islands in the nineteenth century, bearing names such as Cooke, Judd, Castle, Baldwin, Waterhouse. These people have invested chiefly in trading concerns, plantations and sugar companies.

The amount invested in manufactures on the islands in 1919 was nearly $50 million and the total value of farm property as of 1920 was about $150 million.

The sugar industry represents about three-fourths of the value of the manufactured articles; and of the agricultural crops, sugar —of which the 1925 crop was estimated at 753,700 tons—is the largest, followed by pineapples—1924 crop estimated at 6 million cans—coffee, tobacco, rice, sisal, rubber, and cotton.

Moody's *Industrials* (1924) lists dozens of important sugar and pineapple companies, financed and controlled by Americans, many of them, like the Spreckelses, being large refiners in California. Some of these companies are the following:

Ewa Plantation Co.—sugar plantation. Leases 7,587 acres of cane land and 3,560 acres of pasture land, camps, etc. Capitalization $5 million.

Hawaiian Sugar Co.—sugar plantations. 5,666 acres leased. A Waterhouse-Judd-Cooke corporation.

Honokaa Sugar Co.—plantations, mills and factories. Annual production about 10,000 tons. The Castles are connected with this company.

Paauhau Sugar Plantation Co.—some 5,428 acres.

Hakalau Plantation Co.—plantation. A. B. Spreckels, President; J. D. Spreckels, Vice President. $2 million capitalization.

Hawaiian Agricultural Co.—plantations. An old Cooke-Bishop-Judd company.

Honolulu Plantation Co.—plantations and refinery. Output in 1923—15,319 tons.

Honomu Sugar Co.—plantation. Bishop-Cooke concern.

Hutchinson Sugar Plantation Co.—plantation and mill. 42,929 acres.

Kilauea Sugar Plantation Co.—plantation, mills, etc. Annual output in recent years approximately 4,700 tons. A. B. Spreckels, President; J. D. Spreckels, Vice President.

Onomea Sugar Co.—plantation. 5,877 acres of cane land. Bishop, Cookes and Ross connected with this company.

Pacific Sugar Mill—plantation. Approximately 6,250 tons per year. Waldron and Castle connected with this company.

Pepeeka Sugar Co.—plantation. 10,000 tons annually. Bishop and Ross involved.

Wailuku Sugar Co.—plantation. A Cooke-Bishop-Ross company.

California and Hawaii Sugar Refining Co.—large estates.

Hawaiian Commercial and Sugar Co.—plantations with 27,000 acres with sugar works in the islands. Owns stock of certain irrigation companies.

Kahuku Plantation Co.—some 4,397 acres. Waterhouse-Cooke-Hemenway-Wodehouse connections.

Libby, McNeill, and Libby—canning company with "extensive interest in Hawaii in connection with the growing and canning of pineapples."

California Packing Co.—a very important factor in the Hawaiian pineapple business.

This list is, of course, incomplete and furthermore does not include many British Limited companies in which the old American families seem to have a controlling interest.

Other companies are interested in irrigation systems, in rubber, in hotels and newspapers, in fertilizer plants (Pacific Guano and Fertilizer Co.), in navigation (American-Hawaiian Steamship Co. and Matson Navigation Co.), in oil distribution, and in railways (Kahului Railway and Oahu Railway).

The American Can Co. has two factories on the islands.[2] The White Engineering Co. was in 1924 building the famous Pearl Harbor oil base for Edward L. Doheny at a cost of approximately $9 million for the job when half completed.[3] The Honolulu Iron Works manufactures metal products, and the Radio Corporation

[2] Moody's *Industrials*, p. 244.
[3] *Boston News Bureau*, Aug. 29, 1924.

of America and Commercial Pacific Cable Co. handle communications; other important companies are Datare Hawaii Telephone Co., Oahu Railway and Land Co., Alewa Heights Improvement Co., Honolulu Rapid Transit and Land Co., and Hawaii Dredging Co.

The bonded debt of the country, $16,350,000 on October 15, 1923,[4] is held by Americans. The bulk of the commerce is with the United States, exports to the States in 1923–24 amounting to $107,043,812 and imports from totalling $71,011,469.[5]

[4] Moody's *Governments and Municipals*, p. 663.
[5] *World Almanac*, 1925, p. 414.

IX

CLASSIFICATION OF AMERICAN FOREIGN HOLDINGS

THE material in the foregoing chapters, complete in parts, fragmentary in others, suggests the scope and character of the various forms of capital export from the United States. Further tabulation and classification will serve to clarify the full picture.

Leaving aside the various and indefinite and elusive amounts of capital which go abroad through investments in foreign currency issues and the amounts extended in bankers' credits and through the foreign affiliates of American banks, we can at least summarize the two tables on page 20 and page 36 as well as the more bulky but less uniform and less complete data contained in Chapter VIII.

1. Take first the countries in which citizens of the United States have invested in the external dollar securities issued by national, provincial and city governments. The following summary table will show the amounts reported to be now outstanding in the United States under each form of security and for each country:

FOREIGN GOVERNMENT, PROVINCIAL AND MUNICIPAL LOANS OUTSTANDING IN THE AMERICAN MARKET, OCTOBER 1, 1925

(Summary by countries of table on page 20)

	National	*Provincial*	*Municipal*	*Total*
Argentina	$ 185,762,950	$ 19,876,335	$ 8,799,500	$ 214,438,785
Austria	25,000,000	5,000,000	2,500,000	32,500,000
Belgium	192,985,000			192,985,000
Bolivia	29,326,800			29,326,800
Brazil	101,041,500	42,904,028	14,805,500	158,751,028
British Empire				
United Kingdom	291,966,100			291,966,100
Canada	see total	see total	see total	850,000 000
Australia	75,000,000	21,985,000	758 000	97,743,000
Chile	51,158,500		416,000	51,574,500
China	17,600,000 (approx.)			17,600,000
Colombia	3,245,000	1,304,000	9,437,000	13,986,000
Cuba	87,632,700			87,632,700
Czechoslovak Republic	22,896,200		8,904,000	31,800,200
Denmark	90,000,000		27,849,500	117,849,500

FOREIGN GOVERNMENT, PROVINCIAL AND MUNICIPAL LOANS OUTSTANDING IN THE AMERICAN MARKET, OCTOBER 1, 1925

(continued)

Dominican Republic	15,239,700			15,239,700
Finland	20,000,000		7,000,000	27,000 000
France	250,510,700	25,000,000	50,806,000	326,316,700
Germany	107,973,900	40,000,000	33,700,000	181,673,900
Greece	11,000,000			11,000,000
Haiti	17,572,000			17,572,000
Hungary	9,000,000		10,000,000	19 000,000
Japan	163,800,000		5,250,000	169,050,000
Jugoslavia	18,250,000			18,250,000
League of Nations		4,000,000	3,000,000	7,000,000
Mexico	see total	see total	see total	60,000,000
Netherlands	90,000,000		5,900,000	95,900,000
Dutch East Indies	150.000,000			150,000,000
Nicaragua	3,250,000			3,250,000
Norway	93,000,000		25,628,000	118,628,000
Palestine			350,000	350.000
Panama	6,052,000			6 052,000
Peru	8,316,000		250,000	8,566,000
Philippines	58,750,000			58,750,000
Poland	54,447,500			54,447,500
Porto Rico	17,319,000			17,319.000
Russia	150,000,000			150,000,000
Salvador	5,606,000			5,606,000
Sweden	55.000.000			55,000,000
Switzerland	71,000,000		10,320,000	81,320,000
Uruguay	7,480,000		5,837,000	13,317,000
Total				$3,858,761,413 *

* See note on table on p. 182.

2. Take next the known corporate securities. The investors of the United States through their purchase of dollar securities are interested in the following *foreign industries,* as indicated by the items of the incomplete table on pages 36–43.

Railroads:

Argentina	Cuba	Mexico
Brazil	France	Philippine Islands
Canada	Guatemala	Salvador

Public Utilities: (including cables, power companies, telephones, trams, etc.)

Austria	Chile	Italy
Canada	Cuba	Japan
Central America	Germany	Mexico

*This table does not include the additional issues totalling $39,650,000 mentioned at the bottom of page 32.

Manufacturing Companies:

Australia	Canada	France
Belgium	Germany	Japan
		Norway

Mining:

Chile Peru

Oil Companies:

In England and Mexico, and in the rest of the world in so far as Americans participate in the capital of Royal Dutch Shell and Standard Oil.

Steamship Companies:

Denmark
Great Britain

Fruit and Sugar Companies:

Central American states
Cuba

3. Investments in foreign corporate securities, however, comprise but a fraction of the interests represented by American capital abroad for, as we have seen in our discussion, country by country, in Chapter VIII, the greatest American investment in overseas enterprises takes the shape of American owned, controlled or operated companies, which now function in all parts of the world.

Based upon the findings as presented in detail in Chapter VIII, the following summary tables show the economic and geographical distribution of this type of overseas holding.

This summary statement does not attempt to include the commercial investments of American companies in steamship lines touching all the ports of the world, in selling agencies and the distribution departments of American corporations, in banks and financial institutions, in public buildings, in mortgages and general real estate, in fisheries, in motor assembling plants and dozens of other minor enterprises, a few of which are mentioned in Chapter VIII, and in which Americans and American capital participate in dozens of countries.

It will be seen from the following table that our units in manu-

facturing, public utilities and public construction are the most extensive, but from the standpoint of the amount of capital invested there is little doubt that the hunt for petroleum, the huge investments in meat packing, copper and tin mines, sugar plantations and mills, fruit companies and the like, take abroad the greatest units of American capital.

In connection with this table, it should be noted that our greatest export of industrial capital has been to the parts of the world where we have sought for raw products such as iron ore, copper, tin, vanadium, manganese, rubber and the like, which investment, it is pointed out by the Department of Commerce, has come largely as a result of the natural expansion of our domestic industry. It has come also through our desire to participate in the development and growth of material and products only partly produced on our own soil such as sugar, tobacco, hides, wood pulp and the like. Again, much of our capital has gone into the growth and importation of certain warm-country products which are not grown in America, but which are consumed here in ever-increasing quantities, such as tea, coffee, cacao, and all kinds of tropical fruits.

United States dollars are producing, exploiting, or have concessions for the development of *petroleum* in the following countries:

Africa	Dutch East Indies	Peru
Argentina	Ecuador	Poland
Bolivia	Honduras	Roumania
China	Italy	Trinidad (asphalt)
Colombia	Mexico	Turkey
Costa Rica	Panama	Venezuela
Cuba	Persia	

Americans are the owners of *manufacturing enterprises* of various kinds in the following countries:

Argentina	Brazil	Cuba
Australia	Canada	Denmark
Bahama Islands	Chile	France
Belgium	China	Germany

Great Britain	Italy	Poland
Haiti	Japan	Porto Rico
Hawaii	Mexico	Russia
India	Norway	Sweden
	Philippines	

Firms from the United States are constructing *public works* either for governments, municipalities or states, or are carrying on construction work for native companies, in the following countries:

Argentina	Ecuador	Nicaragua
Belgium	France	Philippines
Bolivia	Greece	Poland
China	Hawaii	Salvador
Cuba	Japan	Uruguay
	Mexico	

Public Utility enterprises (other than railroads) owned or controlled by American capital, are in operation in the following countries:

Argentina	Guatemala	Panama
Barbados	Haiti	Philippines
Brazil	Hawaii	Poland
Canada	Honduras	Porto Rico
China	Italy	Spain
Colombia	Jamaica	Sweden
Cuba	Japan	Uruguay
Dominican Republic	Mexico	Venezuela
	Norway	

Railroads in which American capital is heavily interested are scattered throughout the following countries:

Africa	Ecuador	Nicaragua
Canada	Guatemala	Panama
Chile	Haiti	Philippines
Colombia	Jamaica	Salvador
Cuba	Mexico	

Iron Mines producing iron ore largely for the great American steel interests are located in:

Brazil	Cuba	Norway
Chile	Mexico	

Copper Mines, some of them among the world's largest, are owned by Americans in:

Bolivia	Jamaica	Peru
Chile	Mexico	

Gold and Silver Mines using American capital are in:

Australia	Honduras	Peru
Costa Rica	Japan	Russia
Ecuador	Mexico	Salvador
	Nicaragua	

Our outlying *manganese mines* are in:

Brazil	Panama	Venezuela
Costa Rica	Russia	

And *tin* mines in:

Bolivia
Mexico

All other *mines* including *coal, bauxite, nitrate, vanadium, diamonds, etc.* are in the following countries:

Africa	Dutch Guiana	Peru
British Guiana	France	Spain
Canada	Jugoslavia	Venezuela
Chile	Mexico	

Portland Cement comes from our plants in:

Argentina
Uruguay

Our chief *sugar plantations and mills* are in:

Cuba	Hawaii	Philippines
Dominican Republic	Nicaragua	Porto Rico
Haiti	Panama	

Our *tropical fruit* companies are the biggest in the world and have their plantations and properties in:

Azores	Guatemala	Nicaragua
Colombia	Honduras	Panama
Costa Rica	Jamaica	Philippines
Cuba	Mexico	

X

SUMMARY ESTIMATE OF ALL FOREIGN INVESTMENTS—1925

THE United States Department of Commerce is in the best position to make an accurate estimate of the total overseas holdings of United States capital. The figures as compiled by the experts of this department cover all but the twelve billion dollars of inter-governmental debts referred to on page 16. The tables as corrected for 1923 and 1924 follow:[1]

ESTIMATED VALUE OF AMERICAN INVESTMENTS ABROAD AT THE END OF 1923.
(in millions of dollars)

Region	*Government Guaranteed Obligations*	*Industrial Securities and Direct Investments*	*Total*
Canada and Newfoundland	750	1,700	2,450
Latin America	610 *	3,150	3,760
Europe	950	350	1,300
Asia and Oceania	360 †	235	595
	2,670	5,435	8,105 million

* This amount as in the other two tables excludes Porto Rico.
† This amount as in the other two tables includes the Philippines.

ESTIMATED VALUE OF AMERICAN INVESTMENTS ABROAD AT THE END OF 1924.
(in millions of dollars)

Region	*Government Guaranteed Obligations*	*Industrial Securities and Direct Investments*	*Total*
Canada and Newfoundland	1,060	1,400	2,460
Latin America	840	3,200	4,040
Europe	1,500	400	1,900
Asia and Oceania	440	250	690
	3,840 *	5,250	9,090 million

* Compare our own total for present outstanding obligations of foreign governments on page 177. Our figures may have omitted certain items known to the Department of Commerce.

[1] U. S. *Trade Information Bulletin*, no. 215, p. 12. Ibid., no. 340, p. 12.

Placing these totals for the four regions in parallel columns we find the following:

ESTIMATED VALUE OF AMERICAN INVESTMENTS ABROAD AT THE END OF 1923 AND 1924 WITH PERCENTAGES.

(in millions of dollars)

	1923	*per cent*	*1924*	*per cent*
Canada and Newfoundland	2,450	30	2,460	27
Europe	1,300	16	1,900	21
Latin America	3,760	46	4,040	44
Asia and Oceania	595	8	690	8
Total	8,105	100	9,090 †	100

† Still later figures including the flotations of the first six months of 1925 were issued by the Finance and Investment Division of the United States Department of Commerce (New York Times, July 20, 1925). The total outstanding foreign investments for the same geographical areas stood then as follows:

"Government guaranteed obligations: Canada and Newfoundland, $1,125,000,000; Latin America, $915,000,000; Europe, $1,665,000,000; Asia and Oceania, $442,000,000; total, $4,147,000,000.

Industrial securities and direct investments: Canada and Newfoundland, $1,420,000,000; Latin America, $3,225,000,000; Europe, $450,000,000; Asia and Oceania, $280,000,000; total, $5,375,000,000.

These figures give a total for both classes of foreign investments of $9,522,000,000."

According to a weekly market letter issued about the same date by Baker, Kellogg & Co., new foreign issues in the first half of 1925 increased 200 per cent over the same period for 1924, and the volume of dealings in foreign securities on the New York Stock Exchange increased 49 per cent over 1924.

As indicated in the Foreword, this outline does not indulge in prophecy. However it cannot ignore, in conclusion, the predictions of certain others with respect to the future of American foreign loans and investments.

First for the immediate future. Dr. Max Winkler of Moody's Investors' Service, whose records of foreign loan transactions are as complete as any known to the writer, is authority for the forecast mentioned on page v.—viz. that our foreign loans abroad by 1926 may amount to $12 billion. In accordance with his usual practice Dr. Winkler includes in his calculation not only the total publicly offered corporate and government securities covered in the Department of Commerce estimates but also all short term credits and bankers' private loans to foreign governments and corporations as well as known "direct investments" in American corporations with major operations abroad. (We have seen on page 14 how much higher the inclusion of this type of transaction puts the year's total for 1924.)

Supporting his prediction Dr. Winkler estimates that, including these forms of credit, our foreign loaning during the first six months of 1925 had reached $1,073,329,000, more than 63 per cent of which represented credits and loans to European countries.

After mentioning the various loans for private and public offering in prospect at the time, the same authority estimated that the amount of foreign loans pending and under discussion on July 1, 1925 amounted to $1,587,750,000, which would bring the aggregate foreign financing in 1925 up to $2,661,079,000, "a new high record for all time." [2] Whether this amount of capital will leave America in the form of loans before the end of the present year is doubtful, but there can be no doubt that the total foreign financing of the various types covered in the above estimates will be greater in 1925 than in the previous year.*

A good many economists expect our foreign investments to expand rapidly and steadily, until 1935 will see us with $25 billion of our private capital abroad. The amount may have grown to $50 billion by 1950.

The National Industrial Conference Board, on the other hand, predicts that the amount of our loans to Europe, which since the war have reached unprecedented heights, will fall off as Continental Europe is "stabilized" within the next two or three years and that this tendency will result, in possibly ten or fifteen years, in a net capital import into the United States. Due to the relatively lower earning power of capital in Europe, capital will eventually, *under normal conditions,* tend to flow west rather than east. However, loans in Latin America and the less developed and "newer parts of the world," the Conference Board report admits, will continue to increase and "like England, and like France and Germany before the war, we shall gradually become one of the world's great sources of capital for opening up the less developed countries." [3]

* A later report by the Department of Commerce, covering the first nine months, puts the publicly offered securities, excluding private financing, at approximately $1 billion.

[2] *New York Times,* July 1, 1925.

[3] National Industrial Conference Board, *Inter-Ally Debts and the United States,* p. 213.

The prediction with regard to European developments depends, it will be observed, upon the important "ifs" of political and financial "stabilization" and the accumulation of capital in countries such as Germany which are now compelled to seek the American market for loans. But with or without "stabilization" in Europe, we believe America will remain the greatest source of lending capital in the world. That she holds that position *today* we have shown without question in the foregoing pages.

APPENDICES

Contracts and Concessions

CONTRACTS AND CONCESSIONS

The documents in these appendices have been compiled primarily with the purpose of providing some type examples of loan contracts between American banking houses and countries in the Caribbean zone. There have also been included a variety of concessions granted to American individuals or corporations by the Republics of Mexico and Cuba. All the contracts and concessions that follow are actually in effect today, with the exception of the Nicaragua group, included as an historical case which is still interesting for the thoroughness of the accompanying intervention for which it provided. It also has the advantage of being a recently closed episode, the development of which extended over a period of fifteen years; it is this development which it may be interesting to trace, through reading the various contracts.

The procedure followed has been, in most cases, to print the contracts in full, italicizing those portions which are most significant and distinctive, in order that they may be readily picked out from the mass of technicalities that surrounds them. In a few cases, where the space to be economized thereby was considerable, the contracts have been edited to avoid repetition; otherwise, no changes have been made and complete copies of all edited contracts are on file in the office of the American Fund for Public Service at 70 Fifth Avenue, New York. Brief notes precede the contracts and concessions, and, in some of them, portions of other documents that shed light on their features have been incorporated. These notes are of an expository character and deal with those circumstances of the issue of the loan or concession which are considered indispensable to their proper understanding, as well as any explanation of their terms that may be necessary. In no case has purely political or equivocal matter been included.

The arrangement of the contracts is by countries representative of types. Preceding this arrangement we have printed the

Speyer & Co.-Republic of Cuba contract of 1904 because, being void of extraordinary features, its form and content may be taken as representative of the others, except where specifically pointed out. It should be noted, as a general observation, that unlike the other and later contracts, it provides for no financial administration by Americans, and no customs supervision. There is no recognition in it of the existence of the government of this country as one of the parties to the agreement, and it is interesting to observe that no mention is made of American approval of the loan under the Platt Amendment. In most respects, it is the type of loan contract that would be covenanted today with the more prosperous and stable South American countries, such as Argentina and Chile, except for the created lien on a certain unit of customs revenues as security for the service and amortization of the bond issue; and, admitting the same exception, it is very similar to loans made to most European governments prior to the war. The portion of the text which contains this distinctive feature is italicized. It will be found in all Caribbean loan contracts.

Finally, a brief section on post-war loans to European countries has been added at the end. A separate discussion of this type is undertaken in that section.

I. BANKERS' LOAN CONTRACTS

1

THE REPUBLIC OF CUBA
and
SPEYER & CO.

AGREEMENT

Dated, 11th May, of 1904.

AGREEMENT dated the 11th day of May, 1904, between the Republic of Cuba, represented by Señor Tomas Estrada Palma, the President of the Republic, (hereinafter termed the "Government") party of the first part, and Speyer & Co., of the City of New York, in the United States of America, (hereinafter termed the "Bankers") parties of the second part.

WITNESSETH:

WHEREAS, by an Act of the Congress of the Republic of Cuba passed February 27th, 1903, as amended by an Act of said Congress passed January 25th, 1904, (a copy of the original or of a translation of which Act as so amended is hereto annexed marked Exhibit A) the President of the Republic of Cuba was duly authorized to issue bonds of the Republic of Cuba in the forms hereinafter referred to for a foreign debt for an amount not to exceed, at its face amount, Thirty-five million dollars ($35,000,000) in gold, in money of the United States of America, or in pounds sterling at the rate of four dollars and eighty-six cents ($4.86) for each pound sterling, or the equivalent in other foreign moneys, such bonds to bear interest at the rate of five per cent. per annum, to be retired within forty (40) years, and the principal, as well as the interest, to be exempt from all kinds of Cuban taxes that then existed or might be thereafter imposed; and

WHEREAS, by the said Acts of Congress a special guarantee for the payment of the interest and the retirement of said bonds was authorized and a special permanent tax to assure the same was created, as by reference to said Acts will fully appear; and

WHEREAS, under the said Acts the President of the Republic was authorized to determine the terms and conditions of the said issue and of the service of the loan;

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

First: The Government has sold to the Bankers, and the Bankers

have purchased from the Government, bonds of the Republic of Cuba (to be designated as "Five Per Cent. Gold Bonds of 1904") to the aggregate face amount of Thirty-five million dollars ($35,000,000) in gold, in money of the United States of America of the present standard of weight and fineness, or in pounds sterling at the rate of four dollars and eighty-six cents ($4.86) United States Gold for each pound sterling, or the equivalent in other foreign moneys as hereinafter prescribed, which are authorized by, and to be issued in pursuance of, the said Act of the Congress of the Republic of Cuba, passed February 27th, 1903, as amended by the said Act passed January 25th, 1904. Said bonds shall bear date March 1st, 1904, shall mature March 1st, 1944, shall bear interest at the rate of five per cent. per annum from the said March 1st, 1904, payable semi-annually on the first days of March and September in each year, and shall, both as to principal and interest, be payable in the City of New York, in the United States, in gold coin of the United States of America of the present standard of weight and fineness, or, at the holder's option, in London, England, in pounds sterling at the fixed rate of exchange of four dollars and eighty-six cents ($4.86) United States gold for one pound sterling, or in Frankfort o/M and Berlin, Germany, in marks (D. R. W.) at the fixed rate of exchange of four marks twenty pfennigs for one dollar United States gold, or in Paris, France, in francs at the fixed rate of exchange of five francs eighteen centimes for one dollar United States gold.

Both as to principal and interest the said bonds shall be forever exempt from all kinds of Cuban taxes (whether of the Republic of Cuba or of any province or municipality therein) that at present exist or may be hereafter imposed.

Said bonds shall be primarily issued as coupon bonds and to the respective amounts which the Bankers may request in denominations of one thousand dollars ($1,000) (to be designated as Series A), and Five hundred dollars ($500) (to be designated as Series B), and in equivalent amounts in pounds sterling, marks and francs, at the respective fixed rates of exchange above mentioned. The bonds of each of said series shall be numbered from one consecutively upwards. Said bonds shall bear coupons for said interest, and shall be exchangeable for registered bonds as provided herein. The registered bonds shall be payable both as to principal and interest to the registered holder thereof in United States Gold Coin at the office of the Bankers in the City of New York, and shall be in the same denominations as the coupon bonds and also in denominations of such multiples of one thousand dollars as the Bankers may from time to time request. Both the coupon bonds and the registered bonds shall be so engraved as to meet the requirements of the New York Stock Exchange for listing the same. The coupon bonds and coupons and the registered bonds shall be substantially in the forms annexed hereto and marked Exhibit B and Exhibit C respectively, and shall bear such signatures and counter signatures (whether by engraved and printed fac-similes or by written signatures) and such seals as shall be

approved by the Bankers and their counsel and the New York Stock Exchange.

The coupon bonds, above the signatures on behalf of the Government, shall be printed in the Spanish, English, German and French languages, the coupons in the Spanish language, and the endorsement on the back of the coupons in the languages indicated in the copy of such endorsement forming part of Exhibit B. The registered bonds, above the signatures on behalf of the Government, shall be printed in the Spanish and English languages, and the Certificate of Speyer & Co. and the Notice on the face of the registered bonds in the English language.

At the request of the Bankers and upon surrender by them to the Government of coupon bonds of any denomination or denominations, the Government will execute and deliver to the Bankers in exchange therefor (free of charge for the execution thereof) coupon bonds of any of the other denominations above prescribed for coupon bonds, for the same aggregate amount of principal as that of the bonds surrendered for such exchange and bearing corresponding coupons.

None of the above-mentioned bonds (whether coupon bonds or registered bonds) shall be valid or obligatory until the same shall have been duly authenticated by the execution by the Bankers of certificates thereon in the English language in substantially the form annexed hereto and marked Exhibit D. The Bankers agree that they will use due diligence in certifying the bonds after their receipt thereof.

. . . . . .

Second. Any outstanding coupon bonds (not drawn for redemption as hereinafter provided) may, upon surrender thereof (with all unmatured coupons appertaining thereto) at the office of the Bankers in the City of New York, be exchanged for a registered bond or registered bonds for the like aggregate amount of principal (and carrying a corresponding interest obligation), the principal and interest of which shall be payable at the office of the Bankers in the City of New York to the registered holder in United States gold coin. All coupon bonds and the unmatured coupons appertaining thereto so surrendered shall be held in reserve uncanceled in the hands of the Bankers (or such custodians as they may designate) for the purpose of re-exchange against the surrender of the registered bond or bonds issued against the surrender of such coupon bonds and coupons, or issued upon transfers of the registered bond or bonds so issued; and registered holders of registered bonds shall be entitled upon surrender thereof to such re-exchange, with due equalization of interest obligations. Upon payment of the interest maturing on any interest date upon any registered bonds, the coupons maturing on that date appertaining to coupon bonds held in reserve for re-exchange against such registered bonds shall be detached and canceled. Upon the payment or redemption of any registered bond with the interest accrued thereon, the coupon bonds and coupons appertaining thereto held in reserve for re-exchange for such registered bond shall be forthwith canceled.

Any registered holder of a registered bond may transfer the same by the execution of an instrument of transfer thereof in such form as may be prescribed by the Bankers, and upon the surrender to the Bankers, at their office in the City of New York, of such outstanding registered bond, with such executed instrument of transfer, a new registered bond for the like amount of principal, and carrying a corresponding interest obligation, will be issued in the name of the transferee in exchange therefor. The coupon bonds and coupons theretofore reserved against the surrendered registered bond shall be thereafter reserved against the new registered bond.

The Government will from time to time execute and deliver to the Bankers (free of charge for the execution thereof) such registered bonds as may be requisite for making the exchanges, referred to in this Article. All registered bonds shall bear on the face or back thereof a statement of the distinguishing serial numbers of the coupon bonds held in reserve uncanceled for exchange therefor as above provided.

The registration of bonds and the transfer of registered bonds shall be made under such regulations as the Bankers may from time to time prescribe, notice of which regulations shall be promptly sent to the Government. Advices of all registered bonds issued and of all transfers of registered bonds shall be promptly sent by the Bankers to the Government at least every three months. All surrendered registered bonds shall be forthwith canceled and be sent by the Bankers to the Government.

. . . . . .

Third. The period of amortization of the loan shall begin on March 1st, 1910, and the amount to be thereafter annually applied to such amortization shall be one million and twenty thousand dollars, United States money. On the 10th day of each month thereafter, beginning April 10th, 1910, and continuing monthly until the whole loan shall have been fully paid or redeemed as herein provided, the Government shall pay to the Bankers at their office in the City of New York the sum of Eighty-five thousand dollars ($85,000) in United States gold coin of the present standard of weight and fineness as a sinking fund for the amortization of said loan. The said moneys (except so far as the same shall have been theretofore applied to, or withdrawn for the redemption of bonds as hereinafter provided) shall from time to time be applied by the Bankers, to the purchase, if and so far as reasonably practicable, of bonds at prices not exceeding par and accrued interest, and all bonds so purchased shall be deemed to have been paid, shall be forthwith cancelled by the Bankers. The Bankers will pay to the Government interest at the rate of one per cent. below the rate of interest from time to time current in New York City for call loans (but not exceeding in any event the rate of five per cent. per annum) upon any such monthly instalments, if and so far as, after the expiration of thirty days from the receipt thereof by the Bankers, they shall remain in their hands.

In each year beginning with the year 1911, the Bankers will, at such time or times as may seem proper to them, but not later than July 10th, draw by lot for redemption (in the presence of a Notary Public, and also

if the Government so requests in the presence of an agent of the Government) the distinguishing serial numbers of a sufficient amount of the coupon bonds outstanding undrawn, or held in reserve uncancelled for re-exchange for outstanding registered bonds, to absorb, on the redemption thereof at par and accrued interest to the date to be fixed for their redemption as hereinafter provided, the moneys held by the Bankers on account of the sinking fund at the date of the drawing. When each such drawing shall have been made, notice thereof shall be given by the Bankers by publication at least once a week for four successive weeks in two daily newspapers of general circulation in each of the cities of New York, London, Frankfort o/M, Berlin and Paris (the first publication of said notice to be not less than thirty nor more than forty days before the day fixed therein for such redemption). Such notice shall contain the distinguishing serial numbers of the bonds so drawn and the date fixed for their redemption, to wit, the date of the next ensuing interest day, and shall state that on or after said date upon the presentation and surrender in either of the said cities of New York, London, Frankfort o/M, Berlin or Paris (at the respective offices designated in said notice) of said coupon bonds (with all coupons appertaining thereto maturing on and subsequent to such date for redemption), or upon the presentation and surrender at the office of Speyer & Co. in the City of New York of the registered bonds against which coupon bonds so drawn are reserved for exchange, the par value of the bonds so drawn and the interest accrued up to such date for redemption will be paid in the money in which said bonds and the interest thereon are by the terms thereof made payable in the city in which they are so presented. The outstanding coupon bonds so drawn and the registered bonds held in reserve for exchange shall cease to bear interest from and after the date fixed for redemption in such notice, anything in said bonds or the coupons appertaining thereto to the contrary notwithstanding.

Upon presentation and surrender, on or after the date fixed for the redemption thereof, of said outstanding coupon bonds the distinguishing numbers of which shall have been so drawn (with all coupons appertaining thereto maturing on and subsequent to such date for redemption), the Bankers will pay, or cause to be paid, out of the funds in their hands for such purpose, the principal thereof and accrued interest thereon to the said date for redemption, and, upon the receipt of said drawn bonds and the said coupons appertaining thereto will immediately cancel the same.

Upon presentation and surrender, on or after the date fixed for such redemption, of any registered bond against which any drawn coupon bond or bonds is or are held in reserve for exchange, the Bankers will pay to the registered holder thereof, out of said funds, an amount of the principal thereof equal to the face value of the drawn bond or bonds held in reserve for exchange therefor, with accrued interest on such amount to the date fixed for such redemption, and will immediately cancel such coupon bonds so drawn and held in reserve for exchange against such registered bond, and the registered holder of such registered bond shall

be entitled to receive another registered bond for the balance of the principal amount thereof after deducting the amount of the principal of the drawn coupon bonds reserved against said registered bond, such new registered bond to bear interest from the date to which interest shall have been paid on such balance of said principal amount.

On the date of each such drawing the Bankers shall withdraw from the sinking fund the amount requisite to redeem the drawn bonds with interest thereon to the date to be fixed for their redemption—to wit, the next ensuing interest day—which amount shall be deemed applicable to the redemption at the date fixed therefor of such outstanding drawn bonds and of the amounts of principal of registered bonds against which the coupon bonds, the distinguishing serial numbers of which shall have been so drawn, are reserved.

All canceled bonds and coupons shall forthwith upon their cancellation be sent by the Bankers to the Government.

. . . . . .

Fourth. The Government pledges its good faith and its credit for the retirement of the said bonds and for the prompt payment of the interest thereon; *and as a special guarantee and security for the payment of the interest and the retirement of the bonds, the Government will and does hereby set aside, assign, pledge and hypothecate (with precedence over any and all assignments, pledges or hypothecations of or liens or charges upon Customs receipts which may hereafter be made or attach or which may have been made or attached at any time since February 11, 1904) Fifteen Per Cent. (15%) of the Customs receipts of the Republic of Cuba, and will cause an amount equal to the same to be paid weekly to the Bankers in the City of New York*, or, if and so far as so requested by the Bankers, to their agents in the City of Havana, (for application through the Bankers to payment of the interest, to the retirement of said Bonds and to the payments referred to in Article Eighth hereof), until the amounts received by the Bankers in the City of New York, either directly or through their agents, (together with the amounts paid by the Government to the Bankers on account of the eighty-five thousand dollars per month referred to in Article Third hereof) shall in the aggregate equal the amount requisite for the payment of the annual charges for the year then current (counting from March 1st of one year to March 1st of the succeeding year) for interest and sinking fund payments on account of said loan, as herein prescribed, and the amounts payable to the Bankers under Article Eighth hereof. *If the said amount of Fifteen Per Cent. (15%) of the said Customs receipts (together with the amounts paid by the Government to the Bankers on account of the obligations to pay eighty-five thousand dollars per month referred to in Article Third hereof) shall at any time prove insufficient to fulfill the requirements of the loan, including interest and sinking fund, and to pay the amounts payable to the Bankers under Article Eighth hereof, the Government will, until all the bonds shall have been fully paid or redeemed as herein provided, set aside, assign, pledge and hypothecate and cause to be paid to the Bankers,* or, if and so far as requested by the

Bankers, to their agents in the City of Havana (for such application as aforesaid), *an amount equal to such additional percentage of said Customs receipts as will, with the Fifteen Per Cent. thereof above provided for (together with the amounts paid by the government to the Bankers on account of the obligation to pay eighty-five thousand dollars per month referred to in Article Third hereof) produce in eleven months the amounts required to fulfill such requirements of the loan, and to pay to the Bankers the amounts payable to them under Article Eighth hereof.*

The Government may at any time by payments directly to the Bankers anticipate any of the payments which under the foregoing provisions hereof might otherwise at the request of the Bankers be payable to their agents in the City of Havana.

In case there shall be any default in the payments to be made by the Government as in this Agreement provided, all matured coupons appertaining to such bonds shall thereafter (until all the bonds and coupons shall have been fully paid or redeemed as herein provided) be received at their face value, with interest at the rate of six per cent. per annum from their respective maturities, in payment of all Customs dues or charges, and in payment of the special tax hereinafter referred to, *but in no case shall any representative of the Bankers or the bondholders be permitted to interfere in the collection of the Customs receipts.*

The Government will pay to the Bankers interest at the rate of six per cent. per annum upon any and all amounts agreed to be paid by it under this Agreement which shall not have been paid at the times herein prescribed for the payment thereof respectively.

The Government agrees that the special permanent taxes provided by the said laws of February 27th, 1903, and January 25, 1904, shall remain in force during the life of the loan, or any part thereof, and the Government will collect the same and, as far as may be necessary, will pay the same to the Bankers to be applied by them to the retirement of the bonds and to the payment of the interest of the loan as herein provided and of the amounts payable to the Bankers under Article Eighth hereof; and if it should be necessary to complete the amount required for the payment of the interest of the loan, the Executive will forthwith begin the collection of and collect the taxes (forming part of such special permanent tax) which otherwise are not to be applied until the beginning of the retirement of the bonds, and as far as may be necessary, will pay the same to the Bankers to be applied by them to the payment of the interest on the loan. It is understood that while the amount of Bonds to be drawn for redemption is to be limited to the amount requisite to absorb moneys held by the Bankers at the respective dates of drawings on account of the Sinking Fund of $85,000 payable monthly on and after April 10, 1910, referred to in Article Third hereof, the Government shall, unless some other application is determined by law, apply to the voluntary retirement of the bonds by purchase the balance of the special permanent taxes above referred to not required to be paid to the Bankers (or upon their request to their agents) under the terms of the Agreement.

All, paid or retired bonds and coupons shall be forthwith canceled and sent by the Bankers to the Government.

. . . . . .

Fifth. The Government shall, at least two weeks in advance of any due date, whether for payment of principal or interest of said bonds, put the Bankers in funds sufficient to make such payment, except so far as the Bankers may have theretofore received other moneys applicable thereto.

The cause of action against the Government upon each of the Coupons shall be prescribed in five years from its date of maturity, in case the same shall not be presented for payment within such period. The cause of action against the Government upon each of the bonds shall be prescribed in fifteen years from its date of maturity, in case the same shall not be presented for payment within such period.

. . . . . .

Sixth. The Government agrees that it will not during the year 1904, without the written consent of the Bankers, issue any other bonds or interest bearing obligations, or lend its credit or resources in aid of any other loan involving a bond issue or the issue of interest bearing obligations.

. . . . . .

Seventh. The Government will pay the stamp or other duties, if any, to which, under the laws of the Republic of Cuba, this agreement or the bonds or coupons above referred to are or may be subject.

. . . . . .

Eighth. The Government will pay to the Bankers the amounts of all expenses incident to the payment of the interest and retirement of the loan, including the expenses of publication of notices of the payment of coupons as they respectively mature, and of publication of notices of redemption of bonds, and will also pay to the Bankers for services in connection with the said loan the following amounts, viz., one fourth of one per cent. upon all amounts paid on account of the interest upon or the principal of said bonds, also such amount as may be fixed by the Bankers as the compensation of their agents in the City of Havana hereunder. Such compensation of said agents, however, is not to exceed one-eighth of one per cent. upon the amounts passing through the hands of such agents under this agreement.

Ninth. The Bankers will pay the expenses of engraving, printing, shipping the bonds to the Government for execution and delivering them to the Bankers.

. . . . . .

Tenth. The accounts between the Government and the Bankers in respect to the amounts provided for, and applied to, the payment of the interest upon and principal of said bonds and incidental expenses and charges shall be kept by the Bankers in the City of New York in United States money. There shall be credited in such accounts to the Government in United States money all amounts received in the City of New York by the Bankers, whether from the Government directly or through the agents of the Bankers in Havana. There shall be charged in such

accounts to the Government in United States money, all such money as may be paid for, or appropriated to providing for the payment of interest upon or the principal of such bonds, whether such payments of interest or principal be made in United States money or in the other currencies mentioned in said bonds. There shall also be so charged to the Government in such accounts all amounts paid by the Bankers for expenses incident to the payment of the interest and retirement of the loan, including the expenses of publication of notices of the payment of coupons as they respectively mature, and of publication of notices of redemption of bonds, and also the amounts to be paid to the Bankers for services in connection with the loan (including the compensation of the agents of the Bankers in Havana) as provided in Article Eighth hereof.

Such accounts shall at all times be open to the inspection of the Government or such representatives of the Government as it may be authorized to inspect the same, and copies of such accounts with copies of the vouchers therefor shall be rendered to the Government annually.

Eleventh. The validity of the issue, execution and delivery of said bonds under the constitution, laws and treaties of the Republic of Cuba shall be subject to the approval of counsel of the Bankers and of counsel learned in the laws of Cuba employed to advise with them in relation thereto.

. . . . . .

Twelfth. The Government will provide in the Spanish language, and over the proper signatures and seals, all information which may be requested by the Bankers regarding the financial conditions of the Republic of Cuba, its laws, resources, etc., and all other fiscal matters in respect to which they may wish to have official information and will authorize and direct representatives on its behalf to sign suitable prospectuses in respect to the issue of the loan.

. . . . . .

Thirteenth. Any notice under this agreement to the Government shall be given in writing addressed to the President of the Republic of Cuba, at the City of Havana, Cuba, and delivered at the Palace or other Executive Residence, and any notice to the Bankers shall be given in writing addressed to Speyer & Co., New York City, New York, United States of America, and delivered at their office in the said City of New York.

. . . . . .

Fourteenth. Where the term "United States money" or "United States Gold Coin" is used in the original of this agreement in the English language, each of such terms shall be understood as meaning Gold Coin of the United States of America of the present standard of weight and fineness. Where the term "pesos" is used in the original of this agreement in the Spanish language, such term shall be understood as meaning dollars in gold coin of the United States of America of the like standard. The words "Speyer & Co." and "the Bankers" shall be understood as referring to the firm of Speyer & Co. as now constituted or as the same may be hereafter constituted.

. . . . . .

Fifteenth. This agreement, executed in the English and Spanish languages, is the Final Agreement referred to in, is made in pursuance of, and takes the place of, the preliminary agreement between the President of the Republic of Cuba and Speyer & Co., dated February 11th, 1904.

In Witness Whereof this agreement has been signed on behalf of the Republic of Cuba by the President of the said Republic and the Seal of the Executive of said Republic affixed thereto and attested by the Secretary of Finance, and the Bankers have set their signature hereto the day and year first above written.

Note: The foregoing is an exact transcript of the contract as published for distribution by Speyer & Co. of New York, the bankers. Attached to the contract, as Schedule A, is a copy of the Cuban law authorizing the loan, and providing the revenues for its service and retirement. Schedules B, C, and D are copies of the face of the bonds, coupon and registered respectively, and the form of Trustee's certification. A transcript of the four schedules, as well as of all schedules to other contracts that have not been printed here, are on file at the office of The American Fund for Public Service, 70 Fifth Avenue, New York.

2.

LOANS TO SANTO DOMINGO

(a) American loans to the Dominican Republic can be taken as examples of loans made to countries under an American Military Administration.

By the statement of officials in the Trust Department of the banking company which made two of the loans, no indentures exist; that is, Santo Domingo is the only country in the West Indies zone that has made a foreign loan without the existence of any other document defining its responsibilities and obligations than the bond. If any other document can be said to exist, it is the American-Dominican Convention of 1907, in accordance with whose terms the loans are made; a portion of this convention is made a parcel of the bonds themselves. Therefore, a transcript of the face of the bond is printed here as the only evidence of indebtedness.

Of course, contracts of fiscal agency and bond purchase exist, both unavailable through the banking house, since they contain matter considered private by its officials; that is, terms of commission, of fiscal agency and terms for the purchase of bonds at

a price. These contracts, however, are purely of a formal nature, not analogous to the fiscal agency and bond purchase contracts in Nicaragua's case, where an indenture existed both in a separate contract and as parts of the above. Although it has not been possible to make transcripts of the two contracts mentioned, in the case of Santo Domingo, it is unnecessary, given the face of the bond, for the editor is convinced of their formal nature. They are naturally much shorter than those entered into for loans where indentures exist.

The one factor which is responsible for the non-existence of the indenture for these loans is, in the words of the bankers, the military government of the Republic, and the former's subsequently guaranteed nature. This is also expressed in a financial editorial appearing October 6, 1924, in the *Chicago Tribune,* which goes further and attributes the comparatively low interest rate (for Caribbean countries) to the same feature.

A brief summary of the Dominican loan situation follows:

1907—Debts and claims of over $30 million were the occasion for the issuing of a $20 million loan under American auspices. This was the year of the American-Dominican Convention. The loan was made by the Guaranty Trust Co. Claims of $15 million were paid, and monopolistic concessions purchased.

1912—A new loan for $1.5 million was issued in this country but retired by 1917.

1916—Indebtedness "unauthorized by the United States" had increased to $15 million. Political disturbances were followed by American intervention. A Claims Commission and a Military Government by Americans were established in the following year.

1918—Customs Administration 5 per cent bonds issued by the Guaranty Trust Co. to amount of $4,125,000. $1.5 million is outstanding.

1921—Small short-term 8 per cent loan placed and retired.

1922—Twenty-year 5½ per cent loan of $6.7 million issued out of ten million dollar issue authorized. The loan was floated by Lee, Higginson & Co. The letter of the Military Administrator of Finance describing these bonds and their guarantee is attached.

1924—Two-year 5½ per cent Gold Notes secured by deposit of $3.3 million of unissued bonds of $10 million authorized in 1922. This loan is also handled by Lee, Higginson & Co. This company's statement of the security for this issue is appended hereto.

(b) Letter of the Financial Administrator Describing Bonds

March 31, 1922.

Messrs. Lee, Higginson & Company.
Dear Sirs:

In connection with the $6,700,000 Dominican Republic Twenty-Year Customs Administration 5½% Sinking Fund Gold Bonds, issued by the Military Government of Santo Domingo in behalf of the Dominican Republic, I submit the following information:

THE DOMINICAN REPUBLIC

The Dominican Republic occupies the eastern part of the Island of Haiti, discovered by Columbus in 1492. The island lies between Cuba and Porto Rico approximately 600 miles from the coast of Florida and 1,250 miles south of New York on the direct route to the Panama Canal about 800 miles away. The total area of the Dominican Republic is over 19,000 square miles or larger than the combined areas of Vermont and New Hampshire. The population in 1921 was 894,587. The principal products are sugar, cocoa, tobacco and coffee.

The economic dependence of the Republic on the United States is manifest in that the larger part of its commerce is with this country. In the year 1920 trade with the United States included 77% of the imports and 87% of the exports of the Republic. Foreign trade has grown from $9,632,926 in 1905 to $45,199,375 in 1921 and has more than doubled in the past eight years.

RELATIONS WITH THE UNITED STATES GOVERNMENT

In 1907 a convention was entered into between the United States and the Dominican Republic for the purpose of placing the latter's finances on a stable basis. Under this convention a General Receiver of Customs is appointed who shall collect and apply all customs duties until the payment of the 1908 loan due in 1958. The customs revenues have already retired so large an amount of the 1908 loan that the minimum fixed sinking fund on that issue is sufficient to extinguish the 1908 loan not later than 1929.

The issue of these Bonds has received the approval of the United States Government required by the terms of the American-Dominican Convention of 1907, and the Secretary of State consents to the inclusion in the Bonds of the following statement:

"The acceptance and validation of this bond issue by any government of the Dominican Republic as a legal, binding and irrevocable obligation of the Dominican Republic is hereby guaranteed by the Military Govern-

ment of Santo Domingo, and, with the consent of the United States Government, the General Receiver of Dominican Customs, appointed under the Convention of 1907, will, during the life of that Convention, make such payments as are necessary for the service of the new loan from the revenues accruing to the Dominican Government. The Military Government further agrees that after the expiration of the Convention of 1907, such customs revenues shall be collected and applied by an official appointed by the President of the United States in the same manner as the present General Receiver of Customs, and that the loan now authorized shall have a first lien upon such customs revenues until all the bonds thereof are paid in full." The authorized loan herein referred to is a loan of $10,000,000 of which this $6,700,000 is a part.

The affairs of the Republic having been administered by the Military Government of Santo Domingo since November 29, 1916, the above provision has been embodied in the contract with the Government for the present loan and will be confirmed in an executive order of Rear Admiral Samuel S. Robison, U. S. Navy, Military Governor of Santo Domingo.

DEBT

On November 30, 1916, total funded debt of the Republic was $20,812,691. Total funded debt based on January 1, 1922 statement and after giving effect to this financing will be:

5% Loan of 1908,	$20,000,000	
Less redeemed to date,	12,466,000	$7,534,000
5% Loan of 1918,	4,161,300	
Less redeemed to date,	2,534,300	$1,627,000
5½% Loan of 1922 (this issue),		6,700,000
		$15,861,000

During the period from November 30, 1916 to January 1, 1922 but after giving effect to this financing, the Republic reduced its debt by over $4,950,000. In addition, the Republic spent during the same period, under the supervision of American engineers, $8,145,885 for constructing roads, port improvements, schools and other public buildings, increasing custom house, warehouse and wharf facilities at the various ports. All these general improvements have greatly aided business and the country's prosperity in recent years is reflected in the fact that the 1908 loan due in 1958 and the 1918 loan due in 1938 will, by the operation of sinking funds, be retired out of customs revenues not later than 1929.

DESCRIPTION OF THIS LOAN

Twenty-Year Customs Administration 5½% Sinking Fund Gold Bonds, to the amount of $6,700,000 are now to be issued.

Additional Bonds of this loan to the amount of $3,300,000 may be issued, *but only after previous agreement with the United States Govern-*

ment and the Government of the Dominican Republic. The proceeds of the present issue will be used for the following purposes: the retirement of a portion of the external indebtedness amounting to about $2,850,000, all internal indebtedness amounting to $750,000; for public works and highways and other purposes.

The Bonds will be dated March 1, 1922, and will be repayable at 101 and interest at maturity, March 1, 1942. Interest will be payable March 1 and September 1. Bonds will be issued in coupon form in denominations of $1,000 and $500, registerable as to principal, The Farmers Loan and Trust Company, New York, Registrar. They will not be callable before March 1, 1931. Thereafter they will be callable as a whole or in part at 101 and accrued interest. Principal, sinking fund, premium and interest will be payable in New York, Boston and Chicago at the offices of Lee, Higginson & Company, fiscal agents for the service of this loan, in United States gold coin of the present standard of weight and fineness, exempt from Dominican taxes present or future.

SINKING FUND

The sinking fund, the first payment for which shall be made April 1, 1930, is sufficient to retire the entire issue by maturity at 101. Under the provisions of this Sinking Fund, Bonds will be purchased each year in the open market at or below 101, beginning April 1, 1930, or if not so purchasable, called by lot at 101, each year beginning March 1, 1931, so that at least 1/12 of the issue shall be retired each year.

SECURITY

The Bonds will be secured by a specific charge upon the customs revenues of the Dominican Republic. Prior charges against the customs revenues consist of the necessary administration expenses of the General Receiver of Customs, and the interest and fixed amortization charges of the 5% External Loans of 1908 and 1918, both of which will have been retired not later than 1929 when this loan will have a first charge on customs revenues subject only to the cost of collection.

The following agreement will be included in the Bonds:

"The Military Government of Santo Domingo engages that during the term of this loan, no future bonds of the Republic will be issued, secured by customs revenues, other than the total authorized amount of Bonds of this issue unless the annual average customs revenues for the five years immediately preceding amount to at least 1½ times total charges on all obligations secured by customs revenues, including charges of any new loan, *and that the present customs tariff will not be changed during the life of this loan without previous agreement between the Dominican Government and the Government of the United States."*

REVENUES

Customs revenues, on which these bonds are a specific charge, totaled, from August 1, 1907 (the beginning of the first Convention year) to

December 31, 1921, over $56,728,000, an annual average of $3,912,000. For the six years ended December 31, 1921 customs revenues averaged over $4,500,000 while total interest and fixed sinking fund requirements were, prior to this financing, at the rate of $2,303,000 per annum; upon completion of this financing they will be only $1,857,500 per annum. In other words customs revenues, on which these bonds are a direct lien, averaged over twice these charges for 14½ years and practically two and one-half times for the past six years.

For the past fifteen years total revenues have been sufficient not only to pay promptly interest charges and running expenses of the Government but also to retire by sinking fund operations a large part of the 5% Loans of 1908 and 1918 and spend considerable sums on public improvements.

Total revenues for the six years ended December 31, 1921, averaged annually $6,902,055, while expenditures, not including public improvements, averaged annually $6,320,494.

RECORD OF TRADE IN THE PAST FIFTEEN YEARS

The comparative growth of trade and the favorable trade balance of the Dominican Republic are indicated by the following figures:

	Aggregate Trade	*Value Imported*	*Value Exported*	*Excess of Exports*
1907	$12,577,317	$ 4,948,961	$ 7,628,356	$2,679,395
1911	17,945,208	6,949,662	10,995,546	4,045,884
1916	33,192,303	11,664,430	21,527,873	9,863,443
1921	45,199,375	24,585,327	20,614,048	3,971,279 *

* Excess of imports.

Very truly yours,
D. W. Rose,
Lieutenant Commander, S. C., U. S. Navy, Officer Administering the Affairs of the Department of Finance and Commerce for the Military Government.

(c) Excerpts from Banker's Description of 1924 Issue

NEW ISSUE

$2,500,000

DOMINICAN REPUBLIC

TWO-YEAR 5½% COLLATERAL TRUST GOLD NOTES

The issue of these Notes has received the approval of the United States Government required by the American-Dominican Convention of 1907.

Dated Sept. 1, 1924 Due Sept. 1, 1926

Secured by Deposit of $3,300,000 Dominican Republic 20-Year Customs Administration 5½% Sinking Fund Gold Bonds Issue of 1922. Principal and interest payable in Boston, New York, and Chicago in United States gold coin of present standard at offices of Lee, Higginson & Co., Fiscal Agents for the service of the Loan, exempt from Dominican Taxes present or future. Interest March 1 and September 1. Coupon notes $1,000 and $500 denominations. Callable on any interest date at 100½.

The following information has been furnished us by officials of the Dominican Republic:

SECURITY: The $3,300,000 20-Year Customs Administration 5½% Sinking Fund Gold Bonds due 1924 deposited as security for these Notes constitute, together with $6,700,000 other Bonds of the same issue, *a specific charge on the customs revenues which the Dominican Republic agrees shall be collected during the life of the Bonds by an official appointed by the President of the United States.* They will become a first charge upon customs revenues (subject only to the expenses of their collection) after the retirement, not later than 1929, of the loans of 1908 and 1918. *The Dominican Republic has engaged that no additional Bonds secured by customs revenues will be issued during the life of these Bonds* unless annual average customs revenues for the five years immediately preceding amount to at least 1½ times total charges on all obligations secured by customs revenues including charges of any new loan *and that the present customs tariff will not be changed during the life of these Bonds without previous agreement between the Dominican Government and the Government of the United States.*

. . . . . .

(d) EXTRACT FROM THE CONVENTION OF FEBRUARY 8, 1907, BETWEEN THE UNITED STATES AND THE DOMINICAN REPUBLIC, PROVIDING FOR THE ASSISTANCE OF THE UNITED STATES IN THE COLLECTION AND APPLICATION OF THE CUSTOMS REVENUES OF THE DOMINICAN REPUBLIC:

1. That the President of the United States shall appoint a General Receiver of Dominican Customs, who, with such Assistant Receivers, and other employees of the Receivership as shall be appointed by the President of the United States in his discretion, shall collect all the customs duties accruing at the several custom houses of the Dominican Republic until, the payment of retirement of any and all bonds issued by the Dominican Government in accordance with the plan and under the limitations as to terms and amounts hereinbefore recited; and said General Receiver shall apply the sums so collected, as follows: First, to paying the expenses of the Receivership; Second, to the payment of interest upon said bonds; Third, to the payment of the annual sums provided for amortization of said bonds including interest upon all bonds held in sinking fund; Fourth, to the purchase and cancellation or the retirement and cancellation pursuant to the terms thereof of any of said bonds as may be directed by the Dominican Government; Fifth, the remainder to be paid to the Dominican

Government. The method of distributing the current collections of revenue in order to accomplish the application thereof as hereinbefore provided shall be as follows: The expenses of the Receivership shall be paid by the Receiver as they arise. The allowances to the General Receiver and his assistants for the expenses of collecting the revenues shall not exceed five per cent unless by agreement between the two Governments. On the first day of each calendar month the sum of $100,000 shall be paid over by the Receiver to the Fiscal Agent of the Loan, and the remaining collection of the last preceding month shall be paid over to the Dominican Government, or applied to the sinking fund for the purchase or redemption of bonds, as the Dominican Government shall direct. PROVIDED, that in case the customs revenues collected by the General Receiver shall in any year exceed the sum of $3,000,000, one-half of the surplus above such sum of $3,000,000 shall be applied to the sinking fund for the redemption of bonds.

Extract from Executive Order No. 193, dated August 2nd, 1918, issued by the Military Government of Santo Domingo, providing for the application of the customs revenues of the Dominican Republic for the service of this Loan:

8. There is hereby pledged, with the consent of the Government of the United States, from the customs revenues of the Dominican Republic, such amounts as may be required for the payment of the stated interest of said bonds; and, to the amortization fund for the redemption and payment of said bonds on the redemption dates hereinbefore provided, the further sum per annum, to be deposited in equal monthly installments, beginning January 1, 1918, of an amount equal to one-twentieth of the total amount of the bond issue. The sums pledged in this paragraph shall constitute an additional charge upon all customs revenues of the Republic collected in accordance with the Convention of February 8, 1907, between the United States of America and the Dominican Republic, after their application to the first four objects designated in Article One of that Convention, and before any payment is made to the Dominican Government. Additional payments for account of the amortization fund herein provided may be made at any time by the Dominican Government in its discretion.

9. The General Receiver of Dominican Customs is hereby authorized to make monthly deductions, commencing January 1, 1918, from the customs receipts of the Dominican Republic, to cover the amounts referred to in the preceding paragraph, and in accordance with the official advice thereof furnished him by the Contaduria General de Hacienda, and immediately to deposit said amounts with the Designated Depositary for the Dominican Government in a special account entitled "DOMINICAN REPUBLIC 5% BOND ISSUE 1918"; and such monthly deductions and deposits shall be regularly continued by the General Receiver of Dominican Customs until all of the bonds herein provided for shall have been redeemed and paid.

COUPON

..... ON THE FIRST DAY OF JULY 1918, on $1.25
: : surrender of this coupon, the DOMINICAN
: : REPUBLIC will pay to the Bearer, ONE AND 25/100
: : DOLLARS in lawful currency as expressed in the bond of
:.....: which this coupon is a part, being six months interest then due on its "Five Per Cent Bond Issue 1918."
No. L 1058

I. T. HAGNER

Paymaster, U. S. Navy, Administering the Affairs of the Secretaría de Estado de Hacienda y Comercio.

BACK OF COUPON

Payable at the office
of the Designated Depositary
for the Dominican Republic in
—The City of Santo Domingo—
Dominican Republic, or at any of its
branch offices in the Dominican
Republic, or at its office in
the City of New York, U.S.A.

I

(e) BOND FACE OF 1918 ISSUE

No.
L1058
THE
DOMINICAN
REPUBLIC
$50
Per 5 Cent
BOND ISSUE OF 1918
DUE JANUARY 1ST, 1938
Interest payable
JANUARY 1ST AND JULY 1ST
Principal and Interest Payable
AT THE OFFICE OF THE
DESIGNATED DEPOSITARY
FOR THE DOMINICAN REPUBLIC
in the
CITY OF SANTO DOMINGO,
DOMINICAN REPUBLIC,
or at any of its branch offices
in the
DOMINICAN REPUBLIC
or at its office
in the
CITY OF NEW YORK, U. S. A.

REC. NUM. 8203

DIOS PATRIA LIBERTAD
REPUBLICA DOMINICANA

$50 Number $50
L1058

THE DOMINICAN REPUBLIC
FIVE PER CENT. BOND ISSUE 1918.
DUE JANUARY 1, 1938.

SUBJECT TO PRIOR REDEMPTION BY OPERATION OF THE AMORTIZATION FUND. *ISSUED PURSUANT TO EXECUTIVE ORDER NO. 193, DATED AUGUST 2ND, 1918, OF THE MILITARY GOVERNMENT OF SANTO DOMINGO, ACTING IN BEHALF OF THE DOMINICAN REPUBLIC AND SECURED WITH THE CONSENT OF THE UNITED STATES* IN THE SAME MANNER AS THE BONDS PREVIOUSLY ISSUED *UNDER THE PROVISIONS OF THE CONVENTION BETWEEN THE DOMINICAN REPUBLIC AND THE UNITED STATES OF AMERICA, DATED FEBRUARY 8, 1907.*

The Military Government of Santo Domingo, in behalf of the Dominican Republic, hereinafter termed the Republic, for value received, promises to pay to the bearer hereof

———Fifty Dollars———

in lawful currency of value equivalent to gold coin of the United States of America of the present standard of weight and fineness, on the first day of January, 1938, unless this bond is previously redeemed by operation of the Amortization Fund, and to pay interest on said principal amount from the first day of January, 1918, at the rate of five per cent per annum, in like lawful currency, on the first day of January and the first day of July in each year, upon surrender of the annexed coupons as they severally mature.

The Republic further covenants and agrees as follows, to wit:

1. Due and punctual payment on principal and interest shall be made at the office of the Designated Depositary for the Dominican Republic, or, at the option of the holder at any of its branch offices in the Dominican Republic, or, at its office in the City of New York, U. S. A.

2. *This bond is exempt both as to principal and interest from all taxes now or hereafter established by or within the Republic.*

3. This bond is one of the bonds, constituting the "Five Per Cent. Bond Issue 1918" of the Republic which amounts in the aggregate to Five Million Dollars, more or less, and consists of the following bonds of like date and tenor:

Nos. L1 and upwards of $ 50.00 each;
Nos. C1 and upwards of $ 100.00 each;
Nos. D1 and upwards of $ 500.00 each;
Nos. M1 and upwards of $1,000.00 each.

4. *With the consent of the Government of the United States the payment of said bonds is secured, both as to principal and interest, and as*

to the installments of the Amortization Fund, as an additional charge upon all customs duties of the Republic, collected in accordance with the Convention of February 8, 1907, between the United States of America and the Dominican Republic, after their application to the first four objects designated in Article 1, of that Convention and before any payment is made to the Dominican Government, and in accordance with the terms of Executive Order No. 193, dated August 2nd, 1918, issued by the Military Government of Santo Domingo. Article 1 of said Convention, and paragraphs 8 and 9 of said Executive Order, are endorsed on this bond.

5. An amortization fund, sufficient for the payment at or before maturity of said bonds, will be created pursuant to said Executive Order by the payment annually into said amortization fund in equal monthly installments, of an amount equal to one-twentieth of the total amount of the bond issued, in lawful currency of value equivalent to gold coin of the United States of America of the present standard of weight and fineness. The Republic may at any time make additional payments for account of the amortization fund.

6. The Republic, throughout the life of said bonds, will maintain a Designated Depositary whose principal office in the Dominican Republic shall be at Santo Domingo City, Dominican Republic, with branch offices at other points within the Republic, and with an office in the City of New York, U. S. A., and will regularly provide for the payment of the interest and principal of the bonds at the offices of said Depositary. The Designated Depositary at the date of issue of this bond is the International Banking Corporation of New York City, and any Depositary subsequently designated by the Republic in place of said International Banking Corporation shall be a bank or banking institution chartered under the laws of the United States of America, or of a State of the United States of America, having a capital and surplus of at least Two Million Dollars.

7. This bond and its corresponding coupons shall pass by delivery. The interest on, and principal of this bond shall be paid as well in time of war as of peace and whether the holder of the bond or coupons be the subject of a friendly or a hostile State.

8. This bond is subject to redemption at par by operation of the Amortization Fund on the first day of January, 1919, and on any first day of January or first day of July thereafter, and in accordance with the further provision following: The Bonds shall be so redeemed and paid by series: first, Series L; second, Series C; third, Series D; and fourth, Series M; the numbers of the bonds of each series to be so redeemed shall be determined by lot at public drawing conducted by the Contaduria General de Hacienda at Santo Domingo City within one week, on either side, of the first day of November or May, as the case may be, and notice of the Series and numbers of such bonds to be so redeemed, and paid shall be given by the Contaduria to the Designated Depositary thirty days in advance of each redemption date, and such notice shall be published at least once each week during the thirty days immediately preceding and

following each redemption date in the Official Gazette of the Republic and in one of the daily newspapers in the City of Santo Domingo, and in one of the daily newspapers in the City of New York. When so selected for redemption, all interest upon this bond shall cease from and after the day designated for redemption and payment thereof will be made on presentation at any of the places at which it is expressed to be payable.

9. This bond is executed in both the English and Spanish language, but in construing this bond the English text shall govern.

IN WITNESS WHEREOF The Republic has caused this bond to be engraved with the fac-simile signature of the Officer administering the affairs of the Secretaria de Estado de Hacienda y Comercio of the Republic, and to be signed by the Encargado de la Contaduria General de Hacienda of the Republic, and the seal of the Department of Hacienda y Comercio of the Republic to be hereunto affixed, and the coupons of said bond with the engraved fac-simile signature of said officer administering the affairs of the Secretaria de Estado de Hacienda y Comercio to be hereto attached, all as of the first day of January, 1918.

I. T. HAGNER

Paymaster, U. S. Navy, Administering the Affairs of the Secretaria de Estado de Hacienda y Comercio.

J. E. EDWARDS

Encargado de la Contaduria General de Hacienda.

(f) Bond Face of 1922 Issue.

DOMINICAN REPUBLIC

Twenty-Year Five and one-half Per Cent. Customs Administration Sinking Fund Gold Bond Issue.

The Dominican Republic, hereinafter termed the "Republic," acting through the Military Government of Santo Domingo under authority of the United States Government, For Value Received promises to pay on the first day of March, 1942, to the bearer hereof, or in case this bond is registered as hereinafter provided, to the registered holder hereof, the principal sum of DOLLARS and in addition thereto a premium of one (1) per cent of such principal sum, unless the bond be previously redeemed as hereinafter provided, and to pay interest on such principal sum from March 1st, 1922, at the rate of five and one-half (5½) per cent per annum. semi-annually, on the first day of September and on the first day of March in each year, until said principal sum and the premium thereon shall have been paid, but only on presentation and surrender of the coupons hereto attached as they severally mature. The said principal sum and premium and interest will be paid at the offices of Lee, Higginson & Company, Fiscal Agents for the

service of this loan, in the City of Boston, Massachusetts, or in the City of New York, New York, or in the City of Chicago, Illinois, all in the United States of America, at the option of the holder, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on March 1, 1922, and shall be paid and the promises contained herein kept as well in time of war as in peace irrespective of the nationality of the holder. *Said principal sum and premium and interest shall be exempt from any taxes or impositions now or hereafter established or levied by or within the Dominican Republic against this bond or the income arising herefrom or the holder hereof. This bond is one of the bonds constituting the Dominican Republic Twenty Year Five and one half Per Cent. Customs Administration Sinking Fund Gold Bond Issue,—of which there are now authorized $6,700,000 and of which $3,300,000 may subsequently be issued only after previous agreement between the Government of the Republic and the Government of the United States,—and is issued pursuant to Executive Order No. 735, dated 28 March, 1922, of the Military Government of Santo Domingo.*

The Republic covenants to deposit with the Fiscal Agents of the Loan two-twelfths of the annual interest charge on said bonds on or before April 20, 1922, and thereafter to deposit one-twelfth of the annual interest charge on the outstanding bonds of this issue with said Fiscal Agents on or before the 20th day of each month until all the bonds and the interest thereon are paid in full.

To provide a sinking fund for this issue of bonds the Republic shall deposit with the Fiscal Agents of the loan from March 1st to December 31st, 1930, in ten equal monthly instalments, sufficient funds to retire at least one-twelfth of this entire bond issue, principal and premium on or before March 1st, 1931, and shall also deposit with said Fiscal Agents in each succeeding year sufficient funds to retire at least one-twelfth of this entire bond issue, principal and premium, until all the bonds of this issue shall have been redeemed or paid, such deposits with said Fiscal Agents for this purpose to be made in equal monthly instalments beginning on the 20th day of January, 1931. The Republic may also in its discretion at any time and from time to time make deposits with the Fiscal Agents for the purposes of the sinking fund in addition to those required to be made as aforesaid. Said Fiscal Agents shall on the receipt of deposits for the sinking fund apply the moneys so deposited to the purchase of bonds of this issue as instructed by the Government of the Republic, either in open market or by advertised notice for tenders or proposals to sell as the Fiscal Agents may deem best, but at prices not exceeding 101% of the principal amount thereof plus accrued interest to the dates of purchase. All bonds so purchased shall be cancelled.

Said Fiscal Agents shall ascertain the amount on deposit with them to the credit of the sinking fund on the first of January, 1931, and on the first day of January in each year thereafter while any bonds of this issue are outstanding, and shall thereupon each time call for redemption on the first day of March following bonds of this issue at 101% of the principal amount thereof to such an aggregate amount as the moneys

then held on deposit by them for the sinking fund will suffice to redeem. The bonds so to be redeemed, if other than all the bonds then outstanding, shall be determined by said Fiscal Agents by public drawings by lot during the week containing the 15th day of January, and the drawings shall be made by the numbers of the bonds. Notice of the bonds so drawn shall be given by advertisement once each week for three successive weeks in one daily newspaper of general circulation in said City of New York, in one daily newspaper of general circulation in said City of Boston, and in one daily newspaper of general circulation in said City of Chicago, the first publication in each paper to be at least thirty days prior to the date fixed for such redemption. Copies of such notice of redemption shall also be mailed by said Fiscal Agents to the registered holders of all registered bonds so drawn at the last post office address of such holders shown on the books of the Registrar. Upon each redemption date in this paragraph provided for, if the amount necessary to redeem the bonds so called for redemption shall have been deposited with said Fiscal Agents for the account of the holders thereof as above, and the notice before mentioned shall have been duly given, the Republic shall be privileged to consider the bonds then called redeemed from the holders thereof. Interest then due upon such bonds shall be paid and shall cease thereafter. The moneys on deposit with said Fiscal Agents shall be held by them as a special deposit for the redemption of the bonds then called, shall be paid out by them on and only on delivery to them for cancellation of the bonds so called, with their respective coupons not then due attached, and any bondholder whose bond has been called as above shall be entitled to look for payment of his bond only to said Fiscal Agents who shall be liable to him in respect of the sum so held by them to meet said bond.

With the consent of the Government of the United States, the payment of the principal of this bond as well as the premium and interest as aforesaid, and of the sums required to be paid into the sinking fund as herein provided, is secured by and shall constitute a charge upon the Customs revenues of the Republic collected and to be collected in accordance with the Convention of February 8, 1907, between the United States and the Dominican Republic (after their application to the first three objects designed in Article I of that Convention and after the payments provided for by Executive Orders of the Military Government Nos. 193 and 272 have been made and before any payment is made to the Treasury of the Republic). The Republic covenants that the loan of June 1, 1921, and the certificate of indebtedness of January 15, 1922, shall be paid and redeemed forthwith out of the proceeds of the loan of which this bond is a part,

The acceptance and validation of this bond issue by any Government of the Dominican Republic as a legal, bonding and irrevocable obligation of the Dominican Republic is hereby guaranteed by the Military Government of Santo Domingo, and, with the consent of the United States Government, the General Receiver of the Dominican Customs, appointed under the Convention of 1907, will, during the life of that Convention,

make such payments as are necessary for the service of this loan from the revenues accruing to the Dominican Government. The Military Government further agrees that after the expiration of the Convention of 1907, such Customs duties shall be collected and applied by an official appointed by the President of the United States in the same manner as the present General Receiver of Customs, and that this loan now authorized to the amount of $6,700,000.00 (and an additional amount not exceeding $3,300,000 which may subsequently be issued after previous agreement between the Government of the Republic and the Government of the United States) *shall have a first lien upon such Customs revenues,* subject to the necessary expenses of collection, until all the bonds thereof are paid in full.

The Military Government of Santo Domingo engages that during the term of this loan, no future bonds of the Republic will be issued, secured by Customs revenues, other than the total authorized amount of bonds of this issue, namely, $6,700,000.00 (and an additional amount not exceeding $3,300,000 which may subsequently be issued after previous agreement between the Government of the Republic and the Government of the United States), *unless the annual average Customs revenues for the five years immediately preceding amount to at least one and one-half times the total charges on all obligations secured by the Customs revenues,* including charges of any new loan and that the present Customs tariff will not be changed during the life of this lien *without previous agreement between the Dominican Government and the Government of the United States.*

The provisions herein in regard to the payments for the interest and the sinking fund of this loan shall be deemed to be in the nature of a continuous appropriation by the Government of the Republic and no further appropriation for such purpose shall be required. In the event that in any year the Customs receipts of the Republic should be insufficient to meet the payments herein provided to be made, the Republic shall provide such sums as may prove to be necessary.

For the payment of the interest on this bond as it falls due and the principal and premiums herein provided the good faith of the Republic is hereby irrevocably pledged irrespective of any security, and this bond and the obligations created hereby shall not be impaired by any law or decree which the Government of the Republic or any authority thereof may hereafter enact or issue or by any interpretation of any law or decree hereinbefore or hereafter enacted or issued, and this bond shall constitute a legal and binding obligation of the Dominican Republic until duly redeemed or paid.

This bond shall pass by delivery unless registered in the name of the owner at the principal office of The Farmers' Loan & Trust Company, in the Borough of Manhattan, in the City and State of New York, such registry being noted on the bond. After such registry, no transfer shall be valid unless made in said office by the registered holder in person, or by attorney duly authorized and similarly noted on the bond; but said

bond may be discharged from registry by transfer thereon to bearer, and thereupon transferability by delivery shall be restored, but it may again from time to time be registered or transferred to bearer as before. As to all bonds of this issue so registered, the person in whose name the same shall be registered shall for all purposes be deemed and regarded as the absolute owner thereof and neither the Republic nor the Fiscal Agents of the loan shall be affected by any notice to the contrary, and after the registration of any such bond, payment of or on account of the principal of such bond shall be made only to or upon the order of such registered owner. All such payments so made shall be valid and effectual to satisfy and discharge the liability upon the principal of such bond to the extent of the sum or sums so paid. The bearer of this bond while the same shall not be registered as hereinbefore authorized and the holder of any coupon for interest on this bond, whether this bond be registered or not, shall, for all purposes, be deemed and regarded as the absolute owner of such bond or coupon, as the case may be, for the purpose of receiving payment thereof and for all other purposes, and neither the Republic nor the Fiscal Agents of the loan shall be affected by any notice to the contrary. Registration of this bond shall not affect the negotiability of the coupons which shall always be transferable by delivery.

This bond shall not be valid for any purpose until the same shall have been duly countersigned for identification by Lee, Higginson & Company as Fiscal Agents for the Loan and the certification form herein signed by The Farmers' Loan & Trust Company, Registrar.

The name "Lee, Higginson & Company" wherever mentioned herein, shall be construed to mean said firm as it now is or may hereafter be constituted.

In witness whereof, the Dominican Republic has caused this bond to be signed in its behalf by the Officer of the Military Government of Santo Domingo Administering the Affairs of the Secretaria de Estado de Hacienda y Comercio of the Republic, and to be countersigned for the purpose of identification by the Fiscal Agents of the Loan, and the seal of the Secretaria de Estado de Hacienda y Comercio to be affixed hereto, and the coupons for said interest with the fac-simile signature of the Officer Administering the Affairs of the Secretaria de Estado de Hacienda y Comercio to be hereto attached, all as of the first day of March, 1922.

DOMINICAN REPUBLIC

By _____

Lieutenant-Commander, Supply Corps, U. S. Navy
Officer Administering the Affairs of the Secretaria de Estado de Hacienda y Comercio, for the Military Government.

(SEAL)

Countersigned for Identification

Fiscal Agents.

FORM OF INTEREST COUPON

No._____

On the first day of 19—, unless the Bond herein mentioned shall have been called for previous redemption, the Dominican Republic, acting through the Military Government of Santo Domingo, promises to pay to bearer, upon surrender of this coupon, at the principal offices of Lee, Higginson & Company, in the City of Boston, State of Massachusetts, or in the Borough of Manhattan, City and State of New York, or in the City of Chicago, State of Illinois, at the option of the holder hereof,————DOLLARS in gold coin of the United States of America of the standard existing March 1, 1922, being six months' interest then due on Bond No.———— of the Dominican Republic Twenty Year Five and One-Half Per Cent Customs Administration Sinking Fund Gold Bond Issue.

(Fac-simile signature)

Lieutenant Commander, Supply Corps, U. S. Navy, Officer Administering the Affairs of the Secretaria de Estado de Hacienda y Comercio, for the Military Government of Santo Domingo.

REVERSE SIDE OF BONDS

The Department of State of the United States has consented to the issuance by the Dominican Government of a total bond issue of $10,000,000 of which $6,700,000.00 are to be issued at once, and of which the remainder will be issued only after previous agreement between the two governments.

The Government of the United States, through the State Department, has consented that the General Receiver of Dominican Customs, appointed under the Convention of 1907, shall, during the life of that Convention, make such payments as are necessary for the service of the new loan from the revenues accruing to the Dominican Government, and has further consented to the giving of assurances by the Military Government of Santo Domingo acting on behalf of the Dominican Republic.

1. *That the Bond issue now made will be accepted and validated by any subsequent government of the Dominican Republic;*
2. *That after the expiration of the Convention of 1907, any subsequent government of the Dominican Republic will agree that the customs revenues pledged for the service of the loan shall be collected and applied by an official appointed by the President of the United States in the same manner as the present General Receiver of Customs;*
3. *That after the expiration of the Convention of 1907, the loan now authorized shall have a first lien upon such customs revenues, after*

the payment of the necessary expenses of collection, until all the bonds thereof are paid in full.

Wording correct.
D. W. Rose, Lt.-Comdr.
S. C., U. S. N.

The editor is informed by the bankers that:

There may also be printed upon the back of the Bond if Lee, Higginson & Company so desire, the extract from the Convention of February 8th, 1907, and the extracts from executive orders Nos. 193 and 272 that appear upon the back of the bonds of the Dominican Republic loan of June first, 1921.

(g) Bond Face of 1924 Notes

DOMINICAN REPUBLIC

Two-Year Five and and One-Half Per Cent.
Collateral Trust Gold Note.
$1000
Due September 1, 1926.
Interest Payable
March 1 and September 1

Principal and Interest Payable
at the office of

LEE, HIGGINSON AND COMPANY

in the
CITY OF BOSTON
State of Massachusetts
or in the
BOROUGH OF MANHATTAN
City and State of New York
or in the
CITY OF CHICAGO
State of Illinois
all in the
UNITED STATES OF AMERICA

Dios Patria Libertad

$1000 No. Seal No. $1000

Republica Dominicana

DOMINICAN REPUBLIC
Two-Year Five and One-Half Per Cent. Collateral Trust Gold Note.

The Dominican Republic, For Value Received promises to pay on the first of September, 1926, to the bearer hereof, the principal sum of

ONE THOUSAND DOLLARS

unless the note be previously redeemed as hereinafter provided, and to pay interest on such principal sum from September 1, 1924, at the rate of five and one-half (5½) per cent. per annum, semi-annually, on the first day of March and on the first day of September in each year, until said principal sum shall have been paid, but only on presentation and surrender of the coupons hereto attached as they severally mature. The said principal sum and interest will be paid at the offices of Lee, Higginson & Company, in the City of Boston, Massachusetts, or in the Borough of Manhattan, City of New York, New York, or in the City of Chicago, Illinois, all in the United States of America, at the option of the holder, in gold coin of the United States of America of or equal to the standard of weight and fineness existing on September 1, 1924, and shall be paid and the promises contained herein kept as well in time of war as in peace irrespective of the nationality of the holder. Said principal sum and interest shall be exempt from any taxes or impositions now or hereafter established or levied by or within the Dominican Republic against this note or the income arising herefrom or the holder hereof.

This note is one of an issue of notes all of even date herewith, *constituting the Dominican Republic Two-Year Five and one-half Per Cent. Collateral Trust Gold Notes* to an aggregate authorized amount of two million five hundred thousand dollars ($2,500,000), *issued with the consent of the Government of the United States of America and pursuant to Resolution No. 13 of the National Congress of the Dominican Republic and July 24, 1924 and the amendments thereto.*

This note and all others of said issue are equally secured by deposit and pledge with Lee, Higginson & Company of three million three hundred thousand dollars ($3,300,000) principal amount of the Dominican Republic Twenty-Year Five and one-half Per Cent. Customs Administration Sinking Fund Gold Bonds (of 1922), Second Series, as collateral security for this Loan, in accordance with an Indenture of Trust dated September 1, 1924, executed by the Dominican Republic with Lee, Higginson & Company, as Trustees, to which Indenture of Trust reference is hereby made for the terms and conditions on which this note is secured and the rights and remedies of the holder of this note in regard thereto.

This note, at the option of the Dominican Republic, may on March 1, 1925, and on any interest day thereafter prior to its maturity, be called for redemption on payment of One Hundred and one-half of one per cent. of the principal amount hereof, and the interest then due, all in the manner and upon the terms provided in said Indenture of Trust. In case of any such call, if payment is duly provided, interest hereon

shall cease from and after the date fixed for the payment in the call.

In the event of default upon this note or upon the payments on the pledged bonds required by the terms of said bonds, the principal of the note may be declared or become due and payable as provided in said Indenture of Trust.

For the payment of the interest on this note as it falls due and of the principal as herein provided, the good faith of the Dominican Republic is hereby irrevocably pledged irrespective of any security, and this note and the obligation created hereby shall not be impaired by any law or decree which the Government of the Dominican Republic or any authority thereof may hereafter enact on issue or by any interpretation of any law or decree hereinbefore or hereafter enacted or issued, and this note shall constitute a legal and binding obligation of the Dominican Republic until duly redeemed or paid.

This note shall pass by delivery, and the bearer of this note and the holder of any coupon for interest on this note shall for all purposes be deemed and regarded as the absolute owner of such note or coupon, as the case may be, for the purpose of receiving payment thereof and for all other purposes, and neither the Dominican Republic nor the Trustees and Fiscal Agents of the Loan shall be affected by any notice to the contrary.

This note shall not be valid for any purpose until the same shall have been duly certified and countersigned for identification by Lee, Higginson & Company as Fiscal Agents and Trustees and the certification form hereon also signed by The Farmers' Loan & Trust Company, Registrar.

The name "Lee, Higginson & Company" wherever mentioned herein, shall be construed to mean said firm as it now is or may hereafter be constituted.

IN WITNESS WHEREOF, the Dominican Republic has caused this note to be signed in its behalf by the Secretario de Estado de Hacienda y Comercio and the seal of the Secretaria de Estado de Hacienda y Comercio to be hereto attached, all as of the first day of September, 1924.

DOMINICAN REPUBLIC

By _____

Secretario de Estado de Hacienda y Comercio.

Note: All the foregoing texts are exact transcripts of documents available at the offices of Lee, Higginson & Co. in New York, or The American Fund for Public Service, 70 Fifth Avenue. It has not been thought necessary to append to the texts of the bond face, transcripts of the form of certification which is a part of them. Complete copies, on file as above, contain them.

3.

LOAN TO SALVADOR

(a) The contract for this loan provides for supervision of customs collection by an American official in an otherwise autono-

mous country. The official recognition and approval of the United States was sought and obtained for the bond issue. Disputes between the contracting parties are referred for final settlement to the Chief Justice of the Supreme Court of the United States. The history of the early negotiations of this loan are interesting and of possible significance.

René Keilhauer, manager of the International Railways of Central America, of which Minor C. Keith, head of the United Fruit Co., is president, received the authorization of the President of the Republic to contract a loan in its favor on June 25, 1921. It was a three months authorization, but it was indefinitely extended on August 21 of the same year.

The loan was occasioned by the necessity of refunding an earlier English issue, settling several large and long-pending claims against the Government, mostly for revoking monopolies, and to repay various small short-term loans lent variously by the International Railways and its bank in Salvador and other local banks. But the large subsidies granted to the International Railways were the second largest single item.

On February 11, 1922, Keilhauer purported to have concluded preliminary negotiations with the National City Bank, which submitted its proposition to the Republic for approval before entering into further proceedings. Minor Cooper Keith had meanwhile been made co-agent with Keilhauer, allegedly in case Keilhauer should have to be absent from New York at a critical period in the negotiations. Both Keilhauer and Keith signed this document with the National City Co., and the National City Bank. This contract was disapproved by the President because of the clauses it contained depriving Salvador of its financial autonomy by the establishment of American supervision and supergovernment, and the setting of many limitations upon the fiscal policy of the country. In return, the Secretary of the Treasury made a detailed suggestion, showing how the object of security supposedly desired by the National City Co. could be obtained in a less drastic manner. Instead of a foreign Administrator and Collector General of Customs with full appointive powers, he offered a guarantee in the form of fiscal checks and balances.

The National City Co., however, withdrew from further negotiations.

Keilhauer and Keith supposedly proceeded to interest other banking groups in the proposed issue, but now Keilhauer wrote to the Secretary of the Treasury that great difficulty was being encountered. No banks, he said, cared to deal with a country that had already broken off negotiations carried almost to their conclusion; there was too irresponsible an air about its projects. The earlier negotiations had "discredited" the Republic. He proposed that a definite contract be drawn up and the bond sold to Minor Cooper Keith, whose standing was such that he could command respect as seller. A contract already approved, he said, would interest bankers.

This was done. Keilhauer signed for Salvador, Keith as party of the second part, on June 24, 1922, and the contract was approved by the Assembly on July 12, and by the President the following day. The Diario Oficial of July 21, 1922 (Number 163), carries a Spanish translation. A summary of its conditions is given in the Secretary's words in the source indicated below, but it is unnecessary to give them here, since the contract itself follows. This contract was modified in certain minor respects October 16 of the same year. All that need be said is that Keith bought the bonds on terms that the Republic would probably not have offered another buyer. He bought them at 88 with an understanding that sale at a better price would be to the Republic's advantage. There was no resale. Keith kept the bonds and paid himself as creditor the largest part of the product at 88 that he had given for Series A.*

The following was the disposition of bonds as given in the message of President Molina to the Salvador Assembly, 1924:

"A" Bonds ($6 million) sold to Minor C. Keith at 88 per cent nominal value, and amount deposited in Metropolitan Trust Co., which deducted $153,333.33 commission; remainder paid to creditors as stipulated in contracts.

* Source: *Memoria de Hacienda y Credito Publico* published in the *Diario Oficial* of El Salvador, Feb. 20, 1923. Detailed information of the early stages of the negotiations are in the preceding year's *Memoria*, published toward the end of Feb. 1922.

"B" Bonds ($5¼ million) cancelled English debt of £1.5 million. Remainder of £1,712.

"C" Bonds ($6.5 million) paid to certain creditors as stipulated in contracts. $317,425.47 remainder in cash.

Additional "C" Bonds ($2 million) paid to passive creditors. There was a remainder of $612,500 in cash.

The most important item in the contract is the collection of 70 per cent of the customs by an American collector.

(b)

LOAN CONTRACT
between
THE REPUBLIC OF EL SALVADOR
and
MINOR C. KEITH
June 24, 1922

THE FOLLOWING CONTRACT is concluded, this 24th day of June, 1922, between the Republic of EL SALVADOR (hereinafter called the "Republic"), *acting by and through Rene Keilhauer, its duly empowered representative, party of the first part,* and *Minor C. Keith* (hereinafter called "Keith"), *party of the second part.*

Whereas, the Republic represents to Keith that the Republic has outstanding, as of December 31st, 1921, certain loans, or indebtedness, which with the interest thereon are set forth in the schedules hereto attached, marked "Schedule A" and "Schedule B," respectively;

And Whereas, certain of the said loans or indebtedness are now secured by charges on portions of the customs duties of the Republic, the receipts from which customs duties (expressed in United States gold dollars) for the fiscal years 1910 to 1920, inclusive, and for the first six months of the year 1921 are respectively set forth in the schedule hereto attached, marked "Schedule C" (the United States gold dollar being taken as the equivalent of 2½ colones in each of the years 1910 to 1919 inclusive, and as the equivalent of 2 colones in each of the years 1920 and 1921);

And Whereas, the Republic represents that no other loan or indebtedness of any character is secured by any lien or charge on any of its customs revenues or duties;

And Whereas, the Republic desires to refund the loans and other indebtedness above enumerated and to provide funds for various public works by the present issue of not exceeding the equivalent of Sixteen Million, Five Hundred Thousand Dollars ($16,500,000), United States gold coin aggregate principal amount, of Bonds, reserving the right to increase the outstanding bonds, from time to time, in accordance with the provisions of Article XIII hereof, to not exceeding the equivalent

of Twenty-one Million, Five Hundred Thousand Dollars ($21,500,000), United States Gold coin aggregate principal amount;

And Whereas, the said Bonds are to be issued in three series, to be known as "Series A," "Series B" and "Series C," respectively, secured by the charge upon the customs revenues of the Republic, as hereinafter provided, of which the Bonds of Series A shall be of the aggregate principal amount of Five Million Dollars ($5,000,000), United States gold coin, the Bonds of Series B shall be of the aggregate principal amount of not exceeding One Million Fifty Thousand Pounds (£1,050,000) Sterling, and the Bonds of Series C shall be of the present aggregate principal amount of not exceeding Six Million Five Hundred Thousand Dollars ($6,500,000), United States gold coin, but shall be subject to be increased to not exceeding Eleven Million, Five Hundred Thousand Dollars ($11,500,000), United States gold coin, aggregate principal amount, in accordance with the provisions of Article XIII hereof:

And Whereas, the Republic has requested Keith to purchase the said Five Million Dollars ($5,000,000), United States gold coin aggregate principal amount, Series A Bonds for cash, and Keith, as a condition of purchasing the same, has stipulated, among other things, that the said Series A Bonds must be secured by an absolute first lien or charge upon the net customs revenues of the Republic, and that all other liens and charges on such revenues shall be either cancelled or definitely subordinated to the lien or charge securing the said Series A Bonds:

And Whereas, *the said Rene Keilhauer, represents that under date of June 25, 1921, the Republic duly entered into a certain contract with the said Keilhauer authorizing him, within sixty days after the date thereof, to negotiate a loan in the United States of America,* secured by lien or charge upon the customs revenues of the Republic, which said contract was, on or about September 7, 1921, duly renewed and extended until January 25, 1922; that thereafter, on or about October 14, 1921, in pursuance of the said contract, the said Keilhauer submitted to the Republic the principal terms of a proposed loan, which terms were duly accepted by the Republic on or about June 23, 1922, and are now embodied in the Contract hereby concluded, and that thereupon the Republic duly conferred upon said Keilhauer full power to conclude such Loan on substantially the said terms, with full powers to represent and act for the Republic in the premises:

Now, Therefore, in consideration of the premises and of the mutual covenants and agreements herein contained, THE PARTIES HERETO HEREBY AGREE, as follows:

Creation of Loan.

Article I.—The Republic covenants with Keith that it will lawfully authorize, sanction and create an issue of Bonds, to be issued in three series, designated as "Series A," "Series B" and "Series C," respectively, of which Bonds the Bonds of Series A shall be of the aggregate principal amount of Five Million Dollars ($5,000,000), United States gold coin, the Bonds of Series B shall be of the aggregate principal amount of not

exceeding One Million Fifty Thousand Pounds (£1,050,000), Sterling, and the Bonds of Series C shall be of the aggregate principal amount not exceeding Six Million, Five Hundred Thousand Dollars ($6,500,000) United States gold coin, *provided,* that the Republic shall have the right, from time to time, to issue not exceeding Five Million Dollars United States gold coin ($5,000,000) aggregate principal amount, additional Bonds of Series C, in accordance with the provisions of Article XIII hereof. All of the said Bonds of whatever Series, shall be the direct credit obligations of the Republic.

Appointment of Fiscal Agent.

Article II.—*The Republic hereby agrees to appoint a Bank, or Bankers, with residence in New York, to be designated by Keith to act as fiscal agent, of the loan constituted by the Bonds,* with all the rights, powers, duties and discretion hereinafter provided for or to be reasonably implied from any of the provisions of this Contract.

Creation of Charge on Revenues.

Article III.—*For the service of the loan the Republic agrees to create and hereby does create a lien or charge upon 70% of the total receipts of its customs revenues (both import and export), which charge or lien may be extended over the total receipts if the 70% is not sufficient* to provide at any time the sums payable for the service of the loan as provided for in this contract, and which lien or charge shall be superior to any or every other lien or charge now existing or which may hereafter be created upon such revenue or any part thereof.

The terms, "Service of the Loan," as used in this contract, shall include all sums paid or payable on account of principal and interest of the bonds, any and all premiums, bonuses or accrued interest paid upon redemption or purchase thereof for account of the Sinking Fund as hereinafter provided, any and all stamp duties, the compensation of the Fiscal Agent and its representatives, any and all charges for the authentication, registration and transfer of bonds, advertising charges, costs and expenses of the Fiscal Agent, or any of its representatives in purchasing any of the Bonds for the Sinking Fund, as hereinafter provided, including brokerage charges and commission (if any), the cost of remittance to the Fiscal Agent or its representatives in the City of New York, United States of America, or London, England, or elsewhere, and any other necessary or reasonable expenses in connection with the administration or service of the Loan.

Creation of an Agency for the Certification and Supervision of the Collection of the Customs Revenues.

Article IV.—For the purpose of giving effect to the charge on its customs revenues hereby created or agreed so to be, *the Republic agrees to the creation by the Fiscal Agent, so long as any of the bonds remain outstanding and unpaid, of an Agency for the immediate and direct Certification and Supervision of the collection of the customs revenues*

on the part of the Fiscal Agent as hereinafter described in order to afford security that the revenues so mortgaged shall be properly collected in complete accordance with existing tariffs and the laws and regulations which may be in force with respect to the collection and administration of customs, and to provide that such revenues be applied exclusively to the service of the Loan.

Appointment of a Representative of the Fiscal Agent for the Certification and Supervision of the Collection of Customs Revenues.

Article V.—*The Fiscal Agent shall have the sole right to name a representative* (hereinafter called "Fiscal Representative") *who shall reside in the Republic and who shall possess the necessary powers to completely represent the Fiscal Agent in all situations which may arise or take place with the Republic in connection with this Contract.* The Fiscal Representative shall be subject to removal by the Fiscal Agent at the pleasure of the latter, and may be replaced at any time or another person appointed for the purpose by said Fiscal Agent.

Expenses for the Maintenance of the Agency for the Certification and Supervision of Customs Collections.

Article VI.—*The expenses of maintaining the office for the certification and supervision of customs collections including all salaries shall be borne by the Republic* but may not annually exceed such sum as may be from time to time mutually agreed upon by the Government and the Fiscal Agent. Until some other sum is agreed upon by the aforesaid parties, *said expenses shall not exceed the sum of $50,000* United States gold per annum, detailed account of the expenditure of which during each month shall be rendered to the Fiscal Agent by the Fiscal Representative on or before the 15th day of each month following, with copy of same for the Minister of Hacienda.

Duties and Powers of the Fiscal Representative.

Article VII.—*The Fiscal Representative shall have the following duties and powers among others:*

(a) *He shall be responsible for the certification and supervision of the customs collections* established in Article IV, directly or through the means of an employee or employees appointed by him in each one of the Custom Houses of the Republic and in any other office in which collection shall be made of revenues subject to the lien or charge created by this Contract for the service of the Loan.

(b) *He shall receive for the account of the Fiscal Agent in the manner set forth in Article VIII, 70% of the customs revenues* (both import and export) as set forth in Article III, and of all other revenue to which he might have right for the service of the loan as set forth in paragraph (a) of Article XII and while no other disposition be made, to deposit said revenue received, promptly upon receipt, to the account of the funds set aside for the service of the Loan in such depositaries as the Fiscal Agent may from time to time designate. All customs

revenues shall be payable and the payment thereof shall be collected in gold coin of the United States of America.

(c) *He shall pay from the proceeds of the revenue collected the expenses of the Agency for the Certification and Supervision of Customs Collections* as set forth in Article VI.

(d) *He shall participate for the purpose of preserving his proper interests in every settlement or agreement which may be made in accordance with the laws of the Republic and in every difference or controversy which may arise with any person, firm or corporation in connection with customs revenues,* which legally may be collected upon the importation or exportation of any article, merchandise, produce or object of any kind.

(e) After paying the expenses of the Agency for the Certification and Supervision of Customs Collections, as hereinbefore provided, *to remit to or upon the order of the Fiscal Agent on or before the 15th day of each month commencing with the month next subsequent to the month of his assumption of duties, the sums necessary for the service of the loan* as provided in Article XII of this contract.

(f) After remitting to or upon the order of the Fiscal Agent or setting aside for such purpose the sums necessary for the service of the Loan, as provided in the foregoing Paragraph (e), thereupon to pay over the balance of any fund collected in the preceding months and remaining in his possession to or upon the order of the Minister of Hacienda of the Republic.

Method of Customs Collections.

Article VIII.—*The payment of the percentage of all customs revenue reserved for the lien or charge* created by this Contract *shall be made in every case* in United States gold coin *directly to the Fiscal Representative by all persons, firms, or corporations from whom the revenues pledged under the Loan Contract shall be collected.* For this purpose the Fiscal Representative shall furnish such persons, firms, or corporations in each case certificates for the amount corresponding to the percentage of said duties which may be due for the service of the Loan under the lien or charge created by this Contract, and the General Treasury and the Customs Houses of the Republic shall accept these and only these certificates as the cash equivalent to said percentage of duties payable for the service of the Loan. Said certificates shall be valid and received by the Government only in satisfaction of duties payable on the customs invoices against which they were originally issued. The payments made in this manner by those persons, firms, or corporations subject to import or export duties shall be considered for all purposes of this contract as paid directly to the Fiscal Agent by the Republic for account of the service of the Loan, and the latter shall be under no further responsibility for amounts paid in this manner for such service.

The Republic agrees that the Fiscal Representative or his employees may take part in all inspection of all kinds of merchandise, articles, produce or objects imported or exported; and the documents presented to the Fiscal Representative in connection with the payment of customs

duties must in all cases bear the approval of an employee of the Fiscal Representative in order that the sums so paid to the Fiscal Representative be properly credited to the service of the Loan by the Fiscal Representative and in the accounts of the respective Customs Houses for the Supervising Auditor of Accounts.

Any person, firm or corporation who may have imported or exported any merchandise, article, produce or object without having paid the required percentage of the respective customs duties due thereon, to the Fiscal Representative for the service of the Loan as hereinbefore set forth and agreed upon, shall be required to pay said percentage to the Fiscal Representative without recourse whatsoever to the Republic although he may have paid this sum in other form.

The only admissible proof of payment of the required percentage of customs duties to the Fiscal Representative shall be the certificate of payment properly issued by said Fiscal Representative applying to the payment of duties in question or such other evidence of payment in writing as he in his discretion may furnish.

If at any time it shall appear that the requisite percentage of customs duties required to be paid to the Fiscal Representative under the terms of this Contract has not been paid, *the Fiscal Representative shall have the right of five days' notice to the Minister of Hacienda to require the payment of such an additional percentage that he may deem sufficient until any deficiency in previous collections may be compensated for.*

Within the first ten days of each calendar month, the Fiscal Representative shall exchange thereof, a general receipt for the percentage of customs revenues received by the Fiscal Agent for said month.

Settlement of Disagreements.

Article IX.—In case there shall at any time arise between the Republic, the Fiscal Agent, and the Fiscal Representative, or any of them, any disagreement, question or difference of any nature whatever regarding the interpretation or performance of this contract *such disagreement, question, or difference shall be referred to the Chief Justice of the Supreme Court of the United States of America, through the Secretary of State of the said United States of America, for determination, decision and settlement* by such Chief Justice and the parties hereto severally agree that any determination, decision or settlement made by such Chief Justice shall be accepted by them as final and conclusive and that each of them will abide by such determination, decision, or settlement, and will fully perform and conform to the terms thereof. In case the said Chief Justice shall decline or be unable to act, then the Secretary of State of the United States of America shall be empowered to designate some other member of the federal judiciary of the United States of America to act in his place.

Alteration in Customs Revenues.

Article X.—*The Republic expressly covenants and agrees that,* so long as any of the Bonds remain outstanding and unpaid, *the existing*

customs duties (whether export or import) will not be altered in such manner as to reduce the gross customs revenues thereof, and in case any particular duty shall be reduced, such reduction shall be compensated by a corresponding increase in some other duty or duties. The Republic further covenants that the customs duties and tariffs now in force are those published in the Table of Customs Duties of the Republic of El Salvador, 1918, with the modifications in the tariff for Chemical and Pharmaceutical Products of 1919 and any further modifications published to date in the Official Gazette of the Republic. The articles, which according to contracts entered into prior to the present Law may enjoy free entry, shall, continue to be admitted duty free. but for all new concessions in the future the approval of the Fiscal Agent will be necessary. Action on any such proposal by the Republic shall be taken by the Fiscal Agent within the term of fifty days of the communication of same to it, and in case no action shall have been taken by the Fiscal Agent within said term of fifty days, then it shall be considered that such new concession so proposed by the Republic has been approved by the Fiscal Agent.

Description of Bonds.

Article XI.—Each of the Bonds, of whatever series, shall be dated as of July 1, 1922; shall bear interest from July 1, 1922, payable semi-annually on July 1 and January 1 in each year, without reduction for or on account of any taxes, assessments, duties or impositions levied or to be levied by the Republic or by or within any political subdivision or taxing authority thereof, and shall be issued in coupon bearer form, registerable as to principal, but not as to interest, and both principal and interest of the Bonds shall be payable in time of war as well as of peace, whether the respective holders or owners thereof are citizens of a friendly or a hostile state.

As to all Bonds which shall be at the time registered as to principal, the person in whose name the same shall be registered shall for all purposes be deemed and regarded as the owner thereof, and payment of or on account of the principal of any such Bond shall be made only to or upon the order of such registered holder. Such payment shall be valid and effectual to satisfy and discharge the liability of the Republic upon such Bonds to the extent of the sum or sums so paid. The holder of any Bond which shall not at the time be registered as to principal, and the holder of any interest coupon pertaining to any Bond, whether such Bond be registered as to principal or not, shall for all purposes be treated as the absolute owner of such Bond or interest coupons, and neither the Republic nor the Fiscal Agent shall be affected by a notice to the contrary.

(a) The Bonds of Series A shall be engraved in the English language; shall be issued in the denominations of $500 and $1,000, in such amounts as to each denomination as Keith may determine *and said bonds of Series A shall be delivered to Keith at 88% of the face value upon receipt by the Republic of said 88% of the face value of said bonds so delivered,* shall be registerable at the principal office of the Fiscal Agent

in the City of New York; shall mature on July 1, 1947; shall bear interest at the rate of 8% per annum and shall be subject to redemption; in whole or in part, at the option of the Republic, on January 1, 1933, or on any semi-annual interest date thereafter, at 110% of the principal amount thereof, if redeemed prior to January 1, 1938; at 107½%, if redeemed on or after January 1, 1938, and prior to January 1, 1943, and at 105%, if redeemed on or after January 1, 1943; *provided*, that any Bonds of Series A which shall not have been redeemed prior to maturity *shall be paid at maturity at 105% of the principal amount thereof.* In case the Republic shall at any time after July 1, 1932, desire to redeem any of the Bonds of Series A, it shall notify the Fiscal Agent, at least seventy-five days prior to the interest date on which it may desire to make such redemption of the aggregate principal amount of Bonds which it desires to redeem on such interest date. As soon as practicable thereafter, the Fiscal Agent shall determine, by lot, the serial numbers of Bonds of Series A to be redeemed (if less than all the outstanding Bonds are to be redeemed) and shall cause notice of redemption of the Bonds so to be redeemed to be published at least once a week for eight consecutive weeks in each of two daily newspapers of general circulation, published in the Borough of Manhattan, City and State of New York, United States of America, the first publication to be not less than sixty days prior to the date designated for the redemption. A similar notice shall also be mailed, at least sixty days prior to the redemption date, to the respective registered holders of any Bonds so to be redeemed, at their addresses appearing upon the books of the Fiscal Agent, notice of redemption having been given as herein provided, the said Bonds so called shall, on the said redemption date, become due and payable at the redemption price payable at such time, as hereinafter provided, at the principal office of the Fiscal Agent in the Borough of Manhattan, City and State of New York. The Bonds of Series A shall likewise be subject to redemption through the operation of the Sinking Fund hereinafter provided for in Article XII hereof. Both principal and interest of the Bonds of Series A, and any premium or bonus paid or payable upon the purchase or redemption thereof, shall be payable at the principal office of the Fiscal Agent in the Borough of Manhattan, City and State of New York, United States of America, in gold coin of the United States of America of or equal to the standard of weight and fineness in effect on July 1, 1922.

(b) The Bonds of Series B shall be engraved in the English and Spanish languages (the English text to govern in the construction thereof); shall be issued in the denominations of £20, £50, and £100, Sterling, in such amounts as to each denomination as the Fiscal Agent may determine; shall be registerable at such place in London, England, as the Fiscal Agent may determine, from time to time; shall mature on July 1, 1956; shall bear interest (subject to deduction for any British income tax) at the rate of 6% per annum, and shall be subject to redemption in whole or in part on any interest date prior to maturity at 100% of the principal amount thereof. Both principal and interest of

the Bonds of Series B shall be payable at such place or places in London, England, as the Fiscal Agent shall designate, in pounds, sterling.

(c) The Bonds of Series C shall be engraved in the English and Spanish languages (the English text to govern in the construction thereof); shall be issued in the denomination of $100, $500, and $1,000, in gold coin of the United States of America, in such amounts as to each denomination as the Fiscal Agent may determine; shall be registerable in such place or places as the Fiscal Agent may determine, from time to time; shall mature on July 1, 1956; shall bear interest at the rate of 7% annum, and shall be subject to redemption in whole or in part on any interest date prior to maturity at 100% of the principal amount thereof. As to the Six Million, Five Hundred Thousand Dollars ($6,500,000), aggregate principal amount, of Bonds of Series C, to be presently issued pursuant to this Contract, both principal and interest shall be payable in gold coin of the United States of America of or equal to the standard of weight and fineness in effect on July 1, 1922, at such place or places in the City of San Salvador as the Republic may designate, with the approval of the Fiscal Agent, and, on or after July 1, 1923, such principal and interest shall also be payable, at the option of the respective holders of the Bonds and their interest coupons, at the principal office of the Fiscal Agent in the Borough of Manhattan, City and State of New York, United States of America.

Service of the Loan.

Article XII.—The Republic covenants that there shall be remitted to or upon the order of the Fiscal Agent in each and every year, so long as any of the Bonds remain outstanding and unpaid, a sum in cash at least sufficient for the service of the loan for each year, and that in case in any year the customs revenues, after deducting therefrom only the expenses of the Customs Administration, as provided in Article VI hereof shall be insufficient for the service of the Loan in full, such *deficiency shall be made up and paid out of other revenues of the Republic.* Such remittances shall be made either to the Fiscal Agent in the City of New York, United States of America, or upon its order to its representatives in London, England, or elsewhere, as the Fiscal Agent may determine, and shall be made as follows:

(a) For the service of the Bonds of Series A there shall be remitted to the Fiscal Agent in the City of New York, the sum of at least Eighteen Thousand, Three Hundred, Thirty-three and 34/100 Dollars ($18,333.34), United States gold coin, on or before the 15th day of each month, during each of the years from July 1, 1922 to June 30, 1937, inclusive, the sum of at least Seventeen Thousand, Nine Hundred, Sixteen and 67/100 Dollars ($17,916.67), United States gold coin, on or before the 15th day of each month during each of the years from July 1, 1937 to June 30, 1942, inclusive, and the sum of Seventeen Thousand, Five Hundred Dollars ($17,500), United States gold coin, on or before the 15th day of each month during each of the years from July 1, 1942 to June 30, 1947, inclusive, plus in the case of each and every such re-

mittance, a sum in United States gold coin equivalent to one-twelfth of the annual interest charges on the Bonds of Series A, outstanding on the semiannual interest date next preceding the date of such remittance. From the sums so remitted, from time to time, the Fiscal Agent first set aside a sum sufficient to pay the interest on the outstanding Bonds of Series A on the next subsequent interest date, and, after setting aside such sum, the Fiscal Agent shall apply the remaining sums so received, from time to time, as a Sinking Fund for the retirement of Bonds of Series A, in the following manner:

The Fiscal Agent shall apply the moneys in the Sinking Fund, as the same shall accrue and become available thereto, from time to time, to the purchase of Bonds of Series A, in the open market, if obtainable with reasonable diligence, at prices which (exclusive of accrued interest and brokerage charges) shall not exceed the redemption price of such Bonds payable on the redemption date (however remote) next succeeding the date of purchase thereof, respectively, or on the date of purchase, if purchased on a redemption date. Any moneys in the Sinking Fund which shall not have been applied to the purchase of Bonds, as aforesaid, at least seventy-five days prior to any interest date subsequent to July 1, 1932, shall be applied by the Fiscal Agent, on such interest date, to the redemption of Bonds of Series A, by lot, at the redemption price payable on such interest date, as provided in paragraph (a) of Article XII hereof; provided, that the moneys so remaining unapplied shall be sufficient to redeem, at the redemption price then payable, at least Ten Thousand Dollars ($10,000) aggregate principal amount, of Bonds of Series A. The Fiscal Agent shall select, by lot, for redemption on such interest date, an amount of Bonds sufficient to exhaust, as nearly as possible, all moneys then in the Sinking Fund, and the Fiscal Agent shall thereupon cause notice of redemption of the bonds so selected to be given in the same manner and with the same effect as hereinafter provided in paragraph (a) of Article XI hereof. The Republic may itself sell bonds of Series A to the Sinking Fund.

(b) For the service of the Bonds of Series B, there shall be remitted to the Fiscal Agent, or its representatives, in London, England, on or before the 15th day of each month a sum equivalent to seven-twelfths of one per cent. of the greatest aggregate principal amount of Bonds of Series B at any time issued, irrespective of the redemption or retirement of any such Bonds. From the sums so remitted, from time to time, the Fiscal Agent or its representative shall first set aside a sum sufficient to pay the interest on the outstanding Bonds of Series B on the next subsequent interest date, and after setting aside such sum, the Fiscal Agent shall apply the remaining sums so received, from time to time, as a Sinking Fund for the retirement of Bonds of Series B, in the following manner:

The Fiscal Agent shall apply the moneys in the Sinking Fund, or cause the same to be applied, as the same accrue and become available thereto, from time to time, to the purchase of Bonds of Series B, in the open market, if obtainable with reasonable diligence, at prices not exceeding

100% of the principal amount thereof, exclusive of accrued interest and brokerage charges. Any moneys in the Sinking Fund which shall not have been applied to the purchase of Bonds at least seventy days prior to any semi-annual date, shall be applied, on such interest date, to the redemption of Bonds of Series B, by lot, at 100% of the principal amount thereof, in the manner herein provided. The Fiscal Agent shall cause to be selected by lot, for redemption on such interest date at the said redemption price, an amount of Bonds sufficient to exhaust, as nearly as possible, all moneys then in the Sinking Fund, and the Fiscal Agent shall thereupon cause notice of redemption of the Bonds so selected to be published at least once a week for eight consecutive weeks in each of two daily newspapers of general circulation, published in London, England, the first publication to be not less than sixty days prior to the date designated for redemption. Notice of redemption having been so given, the said Bonds of Series B shall on the date so designated become payable at the said redemption price, at such place or places in London, England, as may be designated in such notice.

(c) For the service of the Bonds of Series C, there shall be remitted or paid over to the Fiscal Agent in the City of New York or to the representative of the Fiscal Agent in the City of San Salvador as the Fiscal Agent shall designate, on or before the 15th day of each month, a sum equivalent to at least two-thirds of one per cent, in United States gold coin or its equivalent, of the greatest aggregate principal amount of Bonds of Series C at any time issued, irrespective of the redemption or retirement of any such Bonds, but in no event less than the sum of Forty-three Thousand, Three Hundred, Thirty-three and 34/100 Dollars, ($43,333.34), United States gold coin, with percentage, and the consequent amount payable, however, may be increased, in the future, as occasion may arise, for purpose of providing adequately for the service of any additional issue or issues of Bonds of Series C as permitted in paragraph (e) of Article XIII hereof. From the sums so remitted, from time to time, the Fiscal Agent shall first set aside a sum sufficient to pay the interest on the outstanding Bonds of Series C on the next subsequent interest date, and, after setting aside such sum, the Fiscal Agent shall apply the remaining sums so received, from time to time, as a Sinking Fund for the retirement of Bonds of Series C, in the following manner:

The Fiscal Agent shall cause the moneys in the Sinking Fund to be applied, as the same shall accrue and become available thereto, from time to time, to the purchase of Bonds of Series C, in the open market, if obtainable with reasonable diligence, at prices not exceeding 100%, of the principal amount thereof, exclusive of accrued interest and brokerage charges. Any moneys in the Sinking Fund which shall not have been applied to the purchase of Bonds at least seventy days prior to any semi-annual interest date, shall be applied, on such interest date, to the redemption of Bonds of Series C, by lot, at 100% of the principal amount thereof, in the manner herein provided. The Fiscal Agent shall cause

to be selected by lot, for redemption, on such interest date at the said redemption price, an amount of Bonds sufficient to exhaust, as nearly as possible, all moneys then in the Sinking Fund, and the Fiscal Agent shall thereupon cause notice of redemption of the Bonds so selected to be published at least once a week for eight consecutive weeks in one newspaper of general circulation, published in the Republic, and, if any of the Bonds of Series C so selected for redemption shall then be payable in the City of New York, in at least two newspapers of general circulation, published in the Borough of Manhattan in the said City of New York, the first publication in each newspaper to be not less than sixty days prior to the date designated for redemption. Notice of redemption having been so given, the said Bonds of Series C shall on the date so designated become payable at the said redemption price, at such place or places as may be designated in such notice.

(d) After the date designated for the redemption of any Bonds of which notice shall have been given as hereinafter provided, the Bonds so called for redemption shall cease to bear interest, and upon the presentation and surrender thereof pursuant to such notice of redemption, with all interest coupons maturing subsequently to the redemption date, the said Bonds shall be paid and redeemed at the redemption price thereof. All bonds redeemed or purchased through the operation of the respective Sinking Funds, as hereinafter provided, shall be promptly cancelled and permanently retired; and shall thereupon be delivered by the Fiscal Agent to or upon the order of the Minister of Hacienda of the Republic.

(e) Anything herein contained to the contrary notwithstanding, the sums remitted pursuant to the provisions of paragraph (a), (b) and (c) hereof, respectively, shall be applied only to the payment of interest on the respective Bonds and to the payment of the redemption or purchase price thereof, and shall not be applied to the payment of any brokerage charges, or any other expenses in connection with the redemption or purchase thereof, all of which expenses shall be paid and discharged out of other funds remitted upon requisition of the Fiscal Agent, as provided in paragraph (g) hereof. The Fiscal Agent shall have authority, from time to time, to requisition amounts reasonably sufficient to pay such expense in advance of actually incurring the same. The accrued interest on any Bonds of any series that may be purchased through the operation of the Sinking Fund herein provided for such service, shall be paid from the moneys set aside for the payment of the next semi-annual instalment of interest on the Bonds of such series, as hereinbefore provided. Any portion of such moneys which the Fiscal Agent shall at any time determine to be unnecessary to be retained for the payment of any semi-annual instalment of interest, shall be credited by the Fiscal Agent on account of the next subsequent instalment of interest of such series; and when any series of Bonds shall be paid in full, or when provision satisfactory to the Fiscal Agent for such payment shall have been made, all moneys then held by the Fiscal Agent for the service of the

Bonds of such series and not required for the payment thereof shall be by it paid over to or upon the order of the Minister of Hacienda of the Republic.

(f) *The Republic agrees that the funds required for the service of the Loan,* as provided in the foregoing paragraphs (a), (b), and (c) hereof, respectively, *shall be supplied from the customs revenues by the Fiscal Representative,* by remitting or paying to or upon the order of the Fiscal Agent, on or before the 15th day of each month, from the revenues collected in the next preceding month, an amount at least sufficient for the purpose, and in any event (except as herein otherwise provided), not less than 70% of the gross customs revenue, of such next preceding month; provided, that if, in any month, the gross customs revenues shall exceed by 15% the average of the gross customs revenues for the same calendar month during the eleven-year period 1910–1920 inclusive, then the sum which the Fiscal Representative shall remit or pay to or upon the order of the Fiscal Agent in the next succeeding month need not exceed 60% of such gross revenues. If, however, at any time, the Fiscal Representative shall be unable to make the necessary remittances or payments out of funds under his control or made available to him, he shall apply all such funds (after the payment of the expenses of the service of the Loan, as provided in paragraph (g) of this Article XII), first, to the service of the Bonds of Series A, in full, and, from the surplus (if any) then remaining, then to the service of the Bonds of Series B, and from any surplus remaining after all sums necessary for the service, in full, of the Bonds of Series A and Series B, respectively, then to the service of Bonds of Series C, it being hereby expressly agreed that, subject to a paramount prior charge on the net revenues for the payment of the expenses of the service of the Loan provided for in paragraph (g) of this Article XII, the service of the Bonds of Series A shall be an absolute first lien or charge upon such net revenues, the service of the Bonds of Series B shall be a second lien or charge thereon, and the service of the Bonds of Series C shall be a third lien or charge thereon, with priority as between the several series in the order named. If in any month or months the amount remitted or paid by the Fiscal Representative pursuant to the provisions of this Contract shall be more than sufficient to pay the sums required to be remitted or paid for the service of the Loan in such month as provided in the foregoing paragraphs (a), (b) and (c) hereof, respectively, the amount of such excess shall be credited by the Fiscal Agent, from time to time, on account of the service of Series A Bonds for the next succeeding month or months of the year in which such remittance is made, until the aggregate sum required for the service of Series A Bonds in such year shall have been paid or set aside, and, thereupon, any such excess shall be credited, from time to time, on account of the service of Series B Bonds for the next succeeding month or months until the aggregate sum required for the service of Series B Bonds in such year shall have been paid or set aside, and thereupon, such excess shall be credited, from time to time, on account of the service of Series C Bonds for the

next succeeding month or months until the aggregate sum required for the service of Series C Bonds in such year shall have been paid or set aside; and, thereupon, no further remittance need be made in such year.

(g) In addition to any remittance made under the provisions of the foregoing paragraphs (a), (b), (c) and (f) hereof, respectively, there shall be remitted by the Fiscal Representative to or upon the order of the Fiscal Agent, from time to time, all sums which the Fiscal Agent shall require for the full payment of all expenses of the service of the Loan (including, among other things, the compensation of the Fiscal Agent and its representatives,) each remittance to be made on or before the 15th day of the month next succeeding the receipt by the Fiscal Representative of the request thereof from the Fiscal Agent, which shall at the time of making such request furnish to the Fiscal Representative a statement of such expenses in reasonable detail. Anything herein contained to the contrary notwithstanding, the payment of such expenses shall be a charge on the net customs revenues of the Republic paramount to any lien or charge in favor of any series of Bonds.

(h) *If at any time the Fiscal Representative shall certify to the Minister of Hacienda of the Republic that there are not at his disposal sufficient funds for the service of the Loan, in full, specifying the amount of such deficiency, the Republic will promptly pay or otherwise make available to the Fiscal Representative, for the service of the Loan, a sum in cash at least equal to the amount of the deficiency so certified.*

(i) All sums for the service of the Loan shall be so remitted or paid that the amount received by the Fiscal Agent or its representatives shall be the full amount required to be remitted pursuant to the provisions of this Contract, without deduction for any discount, cable charges or other expense of remittal or payment, and irrespective of any variation in rates of exchange.

(j) Whenever in any month the average monthly balance of moneys on deposit with the Fiscal Agent hereunder shall amount to the sum of Fifty Thousand Dollars ($50,000) or more, the Fiscal Agent will allow and pay to the Republic interest on the said balance for such month at the rate of two per cent per annum. The Fiscal Agent will endeavor to secure for the Republic such rates of interest as may be reasonable, from time to time, on moneys remitted to the representatives of the Fiscal Agent for the purpose of meeting interest and Sinking Fund payments on the Bonds of Series B and Series C, respectively.

(k) Upon the payment in full of all Bonds of any series or within six months prior to the date of maturity of such series or at any time after the first publication of notice of redemption of all the outstanding Bonds of such series, upon the deposit with the Fiscal Agent of an amount in cash sufficient to pay or redeem the same in full, together with interest thereon to the date of maturity or redemption of the Bonds of the respective series, no further sums need be remitted by the Fiscal Representative in respect of such series of Bonds, and the lien or charge thereof upon the customs revenues of the Republic shall *ipso facto* be released; *provided,* that the lien or charge on the customs revenues in

respect to any other series of Bonds of the Loan shall not thereby be in any manner affected or impaired, and that all the terms, conditions, covenants and agreements contained in this Contract shall continue in full force and effect, except as the same may relate to the particular series of Bonds so paid or for the payment of which moneys shall have been deposited as herein provided.

Execution, Authentication and Issue of Bonds.

Article XIII. The Republic covenants that the Bonds herein described and constituting the said Loan shall be executed, authenticated and issued only as in this Contract provided, and subject to the following provisions, terms and conditions:

(a) All the Bonds constituting the Loan shall be executed on behalf of the Republic, from time to time as hereinafter provided, with the *facsimile* signature of the present or any future Minister of Hacienda of the Republic; shall be countersigned by a special representative of the Republic thereunto duly empowered; shall bear the *facsimile* seal of the *Republic,* and shall have interest coupons attached, executed with the *facsimile* signature of its said Minister of Hacienda; *provided,* that, pending the preparation of definite Bonds of any series, the Republic may cause a temporary Bond or Bonds to be issued in the English language only, without interest coupons, in some denomination or denominations herein provided for the definitive Bonds of such series, respectively, or of some multiple or multiples thereof, which temporary Bonds may be executed by the said special representative of the Republic alone; shall be impressed with the seal of any legation of the Republic, and shall be exchangeable, without charge, for a like aggregate principal amount of definitive coupon Bonds of the same series, when such definitive Bonds are prepared and ready for delivery. All Bonds, whether temporary or definitive, shall be authenticated by the Fiscal Agent or its duly appointed representative, and such authentication on any Bond shall be sufficient evidence, and the only competent evidence, that such Bond is duly issued as one of the Bonds of the Loan and is entitled to the benefits, protection and security provided for in this Contract or in any lawful act of authorization or sanction thereof. Until so authenticated no Bond of any series shall be valid for any purpose. Before delivering any Bond, the Fiscal Agent or its representative shall detach therefrom and cancel all matured interest coupons. The Republic covenants that all Bonds executed and authenticated as herein provided shall be the valid obligations of the Republic and that all acts, conditions and things required to be done and performed or to have happened precedent to and in the issuance of the said Bonds shall be done and performed and shall happen in due and strict compliance with the Constitution and Laws of the Republic. The form of the Bonds and of the interest coupons attached thereto shall be satisfactory to Keith and the Fiscal Agent.

(b) At any time after the ratification of this Contract and the creation and sanction of the Loan by the National Assembly of the Republic, the entire Five Million Dollars, aggregate principal amount, of the Bonds

of Series A may be executed as above provided and delivered to the Fiscal Agent, which shall thereupon authenticate the said Bonds and deliver the same to or upon the order of the Minister of Hacienda of the Republic.

(c) Simultaneously with the execution of the Bonds of Series A, the Republic shall cause to be executed and delivered to the Fiscal Agent, or to its duly appointed representative designated by it, a number and aggregate principal amount of Bonds of Series B sufficient to refund, in the manner hereinafter provided the principal of all indebtedness of the Republic described in Schedule A, hereto, attached, and the Fiscal Agent shall thereupon authenticate and deliver the said Bonds of Series B, or cause the same to be authenticated and delivered, from time to time as follows:

Upon the presentation and surrender to the Fiscal Agent or its representative, in London, England, of any of the Bonds described in Schedule A, hereto attached, there shall be authenticated and delivered to the holder thereof so surrendering the same an aggregate principal amount of Bonds of Series B (with all unmatured interest coupons attached) equal as nearly as may be to, but not exceeding, the aggregate principal amount of the Bonds so surrendered. The Bonds so surrendered shall immediately be cancelled and permanently retired, and shall thereupon be delivered to or upon the order of the Minister of Hacienda of the Republic.

In addition to the Bonds of Series B, issued as hereinafter provided in this paragraph (c) to refund bonds described in Schedule A, hereto attached, the Republic may also execute and cause to be authenticated and delivered from time to time, to or upon the order of its Minister of Hacienda not exceeding Ninety Thousand Pounds (£90,000) sterling, aggregate principal amount, of Bonds of Series B, *provided*, that the total aggregate principal amount of Bonds of Series B that may at any time be issued shall not exceed One Million, Fifty Thousand Pounds (£1,050,000), sterling.

(d) The Republic will promptly enter into a valid and effective agreement or agreements, in a form satisfactory to the Fiscal Agent, whereby the creditors of the Republic to whom are owing the debts described in Schedule B, hereto attached, to be refunded by Bonds of Series C, shall respectively agree to the surrender, cancellation and satisfaction of such debts (the evidence of which, if any, shall be deposited with a Depositary selected by Keith and the Fiscal Agent and named in such agreements) and of any interest accrued thereon and to the release and discharge of any existing lien or charge on the customs revenues of the Republic securing the same, and to the release and discharge of any prospective or potential lien or charge in their favor on any part of the customs revenues created or contracted for by the terms of any heretofore existing contract or agreement, and shall also authorize and empower such Depositary, upon the receipt of Bonds of Series C of any aggregate principal amount equal to the aggregate principal of the respective debts, to cancel the evidences thereof (in so far as the same exist separate and

distinct from any continuing contracts under which such debts may have been respectively contracted), and to take all necessary proceedings to cancel and satisfy the respective debts and to release and discharge any and all existing, prospective and potential liens or charges on the customs revenues of the Republic of the character herein described. The Depositary shall notify the Republic and the Fiscal Agent of the number and amount of the debts described in the agreements so entered into and thereupon the Republic shall cause to be executed and delivered to the Fiscal Agent, or to its duly appointed representative designated by it, and the Fiscal Agent shall thereupon authenticate and deliver or cause to be authenticated and delivered, to the Depositary, Bonds of Series C of an aggregate principal amount as nearly as may be to, but not exceeding, the principal of the debts described in the said agreements, respectively; and the Republic shall also pay over or otherwise make available to the Depositary suffcient moneys to pay the difference between the principal amounts of the Bonds so delivered and the principal of the respective debts. The Depositary shall thereupon cause all the debts described in the said agreements, respectively, with their evidences (if of the character hereinbefore described), to be cancelled and satisfied and any and all the said existing, prospective or potential liens or charges on the customs revenues of the Republic to be released and discharged, and shall deliver the Bonds of Series C and the said moneys so received by it, to the persons or corporations respectively entitled thereto; and the Fiscal Agent shall be under no duty or responsibility with respect to any of the said matters.

In addition to the Bonds of Series C, issued in accordance with the foregoing provisions of this paragraph (d), *the Republic may execute and deliver,* from time to time, *not exceeding Two Millions, seven hundred and eight thousand Dollars* ($2,708,000), United States gold coin, *aggregate principal amount of Bonds of Series C,* which Bonds, so delivered, shall be authenticated by the Fiscal Agent and delivered by it, from time to time, as follows:

Not exceeding $1,958,999 United States gold coin, aggregate principal amount, thereof, *to or upon the joint order of the Minister of Hacienda of the Republic and the President of the International Railways of Central America.*

Not exceeding $750,000 aggregate principal amount, thereof *to or upon the joint order of the Minister of Hacienda of the Republic and René Keilhauer and R. W. Hebard,* or, in case of the death of one or both of them, by the duly constituted attorney or attorneys of their respective heirs.

The Fiscal Agent shall be under no responsibility with respect to the application of any of the Bonds authenticated and delivered by it in pursuance of any of the provisions of this paragraph (d) of Article XIII, nor the correctness or authenticity, of any signature to any order for the authentication or delivery of Bonds, if such signature shall be believed by the Fiscal Agent to be genuine and to be duly authorized.

No Bonds of Series C, other than those issued as hereinbefore pro-

vided in this paragraph (d) shall at any time be executed or issued by the Republic pursuant to the provisions of this paragraph (d).

(e) The Republic reserves the right to increase the aggregate principal amount of outstanding Bonds of Series C, at any time and from time to time, by the issue of not exceeding the total aggregate principal amount of Five Million Dollars ($5,000,000), United States gold coin, additional Bonds of Series C; provided, that each such additional issue of Bonds of Series C shall first have been duly authorized and sanctioned in accordance with all the provisions of law thereunto applying at the time; and, provided, that after two Million Dollars ($2,000,000) United States gold coin, aggregate principal amount, of additional Bonds of Series C shall have been issued pursuant to the provisions of this paragraph (e), and in accordance with Keith or the Fiscal Agent, no further Bonds of Series C shall at any time be issued, unless the average gross customs revenues of the Republic for the period of thirty-six consecutive months ending not less than sixty days prior to the date of issue of any such Bonds shall have been at least equal to three times the total sum required for the annual service of the Loan, as defined in Article III hereof, including the service of the Bonds of Series C then issued or about to be issued; and *provided, further*, that the total aggregate principal amount of Bonds of Series C that may at any time be issued shall not exceed Eleven Million, Five Hundred Thousand Dollars ($11,500,000), United States gold coin.

Bonds of any additional issue may bear the same rate of interest as the Bonds of Series C herein provided to be presently issued, or any different rate or rates and may mature on the same or any different date or dates, and each additional issue shall be subject to redemption by the operation of a cumulative Sinking Fund to be provided for such issue at the time of the authorization thereof, but shall otherwise be identical in their terms with the said Bonds of Series C to be presently issued. Each additional issue of Bonds of Series C shall be designated by a distinctive letter, number or symbol, and the service of the Bonds of each such additional issue shall be separate and distinct from the service of the Bonds of any other issue; provided, that the service of all the several issues of Bonds of Series C shall share *pari passu* in the lien or charge in favor of such series provided for in paragraph (f) of Article XII hereof.

Upon the delivery to the Fiscal Agent of any Bonds of Series C represented by the Republic to have been executed pursuant to the provisions of this paragraph (e), the Fiscal Agent, may without any investigation or inquiry of any character, authenticate the said bonds and deliver the same to or upon the order of the Minister of Hacienda of the Republic; and the Fiscal Agent shall be under no responsibility or liability to any one for so doing.

Compensation, Powers and Immunities of Fiscal Agent.

Article XIV.—The Fiscal Agent will accept its appointment as such and will agree to execute its duties hereunder, upon the following terms

and conditions, to all of which Keith and the Republic severally agree:

(a) *The Republic agrees to pay to the Fiscal Agent,* as compensation for its services, from time to time, a sum equal to *one-half of one per cent. (1/2%) of the face value of all interest coupons* as the same shall mature and be paid by said Fiscal Agent *and one-quarter of one per cent. (1/4%) when such coupons shall be paid by any representative of the Fiscal Agent, and one-quarter of one per cent. (1/4%) of all sums disbursed in the purchase, payment or retirement of any Bonds of any Series, and, in addition to such compensation, to reimburse the Fiscal Agent for any and all expenses incurred in connection with the service of the Loan.*

(b) *The Fiscal Agent may, with the consent or approval (express or implied) of the Minister of Hacienda of the Republic, select or appoint such representatives as, in its opinion, may be necessary for the proper service of the Loan, and may with like consent or approval, agree with such representatives upon the amount of compensation which they shall receive,* respectively; and the Republic agrees to remit, from time to time, as part of the service of the Loan, all such sums which may be necessary or required to pay such compensation or to reimburse the necessary expenses of such representatives. *The Fiscal Agent shall not be under any duty to pay any such compensation or to make any such reimbursement unless furnished with funds for such purpose.*

(c) The Fiscal Agent shall not be responsible in respect of the validity of this Contract or of the Bonds issued in accordance herewith, nor of any proceedings in connection with the authorization, sanction or ratification of the Loan or the issue of any of the Bonds thereof.

(d) Except as herein expressly provided, the Fiscal Agent shall not be responsible for the disposition of any of the Bonds of any series or of the proceeds thereof.

(e) Except as herein otherwise expressly provided, the Fiscal Agent shall not be bound to recognize any person as the holder or owner of any Bond issued hereunder, unless and until such Bond is submitted to the Fiscal Agent for inspection and the title of such holder or owner shall have been satisfactorily established.

(f) The Fiscal Agent shall not be answerable for the default or misconduct of any agent, representative or attorney appointed or used by it in exercising any of its powers or performing any of its duties hereunder, if such agent, representative or attorney shall have been selected with care deemed by the Fiscal Agent to be reasonable; nor shall the Fiscal Agent be responsible or liable in any manner to any degree for any error or judgment, or for any act done or omitted by it in good faith, or permitted to be done or omitted, or for any mistake of fact or of law, or for anything whatever in connection with this Contract or with the service of the Loan, or with the exercise or performance of any right, power, discretion or duty hereunder, except only for its own wilful misconduct.

(g) The Fiscal Agent may advise with legal counsel; and the Fiscal Agent shall be responsible to no one in respect of any action under this

Contract or in connection with the service of the Loan taken, suffered or omitted by the Fiscal Agent in good faith, in accordance with the opinion of counsel.

(h) The Fiscal Agent shall be entitled to act and to rely, in good faith, upon any written communication or cable message received from the Minister of Hacienda of the Republic, or from the diplomatic representative of the Republic to the United States of America.

(i) The Fiscal Agent shall be protected in acting upon any letter, telegram, cablegram, order, notice, request, demand, consent, certificate, affidavit, indemnity bond or other instrument believed by it to be genuine, and to be signed or sent by the proper party or parties.

Substitute Bonds.

Article XV.—In case any Bond of any series, with its interest coupon (if any) shall be mutilated, destroyed or lost, the Republic in its discretion, may issue, and thereupon the Fiscal Agent, or its representatives, shall authenticate and deliver, a new Bond of like series, denomination, tenor and date, in exchange and substitution for and upon the cancellation of the mutilated Bonds and its interest coupons, or in lieu and in substitution for the Bond and its interest coupons so destroyed or lost, but only upon receipt, in each case, of indemnity satisfactory to the Republic and the Fiscal Agent, and, in case of destruction or loss, upon the receipt, also, of evidence thereof satisfactory to them.

Security of the Bonds.

Article XVI.—In case the Republic for any reason shall make default for thirty days in the fulfillment of any of its obligations contained in Articles III-IV-V-VI-VII-VIII, *the Fiscal Agent shall have the right to require, and the Government shall be obliged to consent and hereby does consent and agree to the creation of a customs administration and to the appointment of a general collector as hereinafter provided, and the Custom Revenues, pledged as security for the Bonds, shall thereafter be administered, collected and applied in accordance with the provision of Article XVII to XXII hereof*, inclusive, which shall supersede and for the purposes of this Contract take the place of Articles III to VIII hereof inclusive.

Creation of Charge on Revenues.

Article XVII.—For the service of the Loan, *the Republic agrees to create and hereby does create a lien or charge upon its net customs revenues (both import and export)* which lien or charge shall be superior to any and every other lien or charge now existing or which may hereinafter be created upon such revenues or any part thereof.

The term "Service of the Loan," as used in this contract shall include all sums paid or payable on account of principal and interest of the Bonds, any and all premiums, bonuses or accrued interest paid upon the redemption or purchase thereof for account of the Sinking Fund, as hereinafter provided any premiums on indemnity bonds furnished by

the Collector General of Customs, as hereinafter provided, any and all stamp duties, the compensation of the Fiscal Agent and its representatives, any and all charges for the authentication, registration and transfer of Bonds, advertising charges, costs and expenses of the Fiscal Agent or any of its representatives in purchasing any of the Bonds for the Sinking Fund as hereinafter provided, including brokerage charges and commissions (if any), the cost of remittances to the Fiscal Agent or its representatives in the City of New York, United States of America, or in London, England, or elsewhere, or any other necessary or reasonable expense in connection with the administration or service of the Loan.

The term "net customs revenues" as used in this contract, shall mean all the Customs Revenues of the Republic after *deducting therefrom only the reasonable expenses of the customs service.*

Creation of Customs Administration.

Article XVIII.—For the purpose of giving effect to the charge on its customs revenues hereby created or agreed upon so to be, *the Republic covenants that it will create and maintain* so long as any of the Bonds remain outstanding and unpaid, *a Customs Administration under the supervision of the Minister of Hacienda and under the full management and control of the Director General of Customs* (hereinafter called the "Collector General") *who shall assume and have the entire responsibility for the administration of the Customs service of the Republic and the collection of all Customs revenues, and who shall also be charged with responsibility of remitting to the Fiscal Agent or its representatives, all sums necessary for the service of the loan.* In the exercise of his duty in accordance with the provisions of this Contract, *the Collector General shall be deemed to be and have all the faculties of a delegate or officer of the General Treasury of the Republic.*

Appointment of Collector General.

Article XIX.—As soon as practicable after this contract shall have become operative, *the Fiscal Agent shall select, with the concurrence of the Secretary of State of the United States of America, two individuals, competent in their opinion to discharge the duties of Collector General, the names of which individuals, so selected, shall be transmitted to the Republic through the Department of State of the United States of America, and the Republic shall thereupon, within ten days thereafter, name and appoint one of such individuals as Collector General.* If, in the judgment of the Fiscal Agent, the individual so appointed should prove incompetent in the discharge of the duties, with which he is entrusted in accordance with this contract, or should so conduct his office as to discriminate unfairly against any national of the Republic or of the United States of America, or of any other country, or if, for any other reason the removal of such Collector General should seem advisable in the interest of the holders of the Bonds of the Republic, the Fiscal Agent, in its discretion, may request the Republic that he be replaced by another. Either the Fiscal Agent or the Department of State is

hereby authorized to communicate to the Government of the Republic any such request of the Fiscal Agent, and upon the communication of such request, the Republic agrees to cause such Collector General to be replaced by another individual appointed in the same manner as hereinbefore provided. The Fiscal Agent shall be under no responsibility or liability to the Collector General so removed, or to any one, for any exercise of the discretion hereby conferred.

In the event that the Collector General fails in the obligations imposed upon him by this contract or intervenes in the political affairs of the Republic, the latter by reason of this right to make representations concerning the Administration of the Customs by the Collector General is hereby authorized to request the Fiscal Agent to recommend the removal of said Collector General, and the Fiscal Agent agrees to recommend the removal and the appointment of his successor in the same form and manner hereinbefore provided in this same article, provided the Republic shall submit sufficient proof of the reason for such request.

The Collector General hereinbefore described in this Article, shall select a Deputy Collector who shall be immediately appointed by the Minister of the Hacienda (who shall perform the duties of Collector General in case of absence or disability) and shall have at any time and from time to time the right to request the removal of said Deputy Collector and appointment of a substitute, and the Republic agrees that the Minister of Finance shall appoint or remove immediately the Deputy Collector upon request of the Deputy or Collector General.

Pending the permanent appointment of the General Collector as herein provided in this Article XIX the Fiscal Representative will act as Collector General.

Salary of the Collector General.

Article XX.—*The salary of the Collector General shall be at the rate of Fifteen Thousand Dollars ($15,000), United States gold coin, per annum,* payable in equal monthly installments on the first day of each month; provided, that *the amount of the said salary may be increased or diminished, from time to time, as circumstances may require,* upon agreement between the Fiscal Agent and the Minister of Hacienda of the Republic. In case the Fiscal Agent and the said Minister of Hacienda shall be unable so to agree, such *disagreement shall be settled in the same manner provided in Article IX* hereof for the settlement of disagreements.

The Duties and Powers of Collector General.

Article XXI.—The Collector General shall have the following duties and powers, among others:

(a) With the exception of the appointment of the Deputy Collector which shall be effected in accordance with Article XIX, the appointment of all the personnel of the Customs Administration shall be made by the Minister of Hacienda, *the Collector General reserving to himself the right to propose and recommend the appointment of employees*

necessary or the removal of any employee whose conduct or management of his post be unsatisfactory for the good and proper administration of the customs, or detrimental to the interests of the country, it being understood that in proposing, appointing and removing employees, both the Minister of Hacienda and the Collector General shall always pursue such a course as will develop both the revenue and the better service and administration of the Customs to which end both shall operate in common agreement.

The compensation of all the assistants and employees as also all expenses incident to the collection and administration of customs revenues shall be determined by the Collector General from time to time, provided that the total annual expenses of such collections and administrations shall not exceed such reasonable sum as shall be annually agreed upon in advance by the Minister of Hacienda of the Republic and the Collector General with the approval of the Fiscal Agent. In case the Fiscal Agent and said Minister of Hacienda shall be unable so to agree, such disagreement shall be settled in the manner provided in Article IX hereof for the settlement of disagreements.

(b) *To collect and receive all export duties and all import duties* and all other revenues in connection with or arising from the administration of the customs of the Republic and, pending other disposition thereof, to deposit the same promptly upon receipt, to the credit of the customs Administration with such depositaries in the Republic as the Fiscal Agent may designate, from time to time, or, in the absence of any such designation, with such depositaries in the Republic as the Collector General, after consultation with the Minister of Hacienda of the Republic, may, in his discretion, determine. All customs revenues shall be payable, and the payment thereof shall be collected, in gold coin of the Unites States of America or in other currency of the United States of America equivalent thereto.

(c) *To adjust, compromise and settle, subject to the law of the Republic, any and all disagreements or controversies* that may arise with any individual firm or corporation concerning any customs duties to be lawfully collected upon the import or export of any goods, merchandise or other property.

(d) *To pay and defray out of customs receipts or other funds from time to time at the disposal of the Collector General all the expenses connected with the administration of the customs service,* including the payment of the compensation and salaries of all assistants and employees and his own salary.

(e) After paying the expenses of the Customs service, as hereinafter provided, to remit to or upon the order of the Fiscal Agent on or before the 15th day of each month, commencing with the month next subsequent to the month of his assumption of duties, all sums necessary for the service of the Loan, as herein provided in Article XII hereof.

(f) After remitting to or upon order of the Fiscal Agent, or setting aside for such purpose, the sums necessary for the service of the Loan, as provided in the foregoing paragraph (e) thereupon to pay

over the balance of any funds collected in the preceding month and remaining in his possession to or upon the order of the Minister of Hacienda of the Republic.

(g) To give bond in at least One Hundred Thousand Dollars ($100,000) in United States gold coin and in such further amount (if any) as the Fiscal Agent and the Minister of Hacienda of the Republic may from time to time agree upon for the faithful and honest discharge of the duties of Collector General.

(h) *To make such rules and regulations, not inconsistent with the laws of the Republic, as from time to time, after consultation with the Minister of Hacienda of the Republic, he shall deem necessary or advisable* for the proper administration of the customs service; provided that all such rules and regulations shall be promptly communicated in writing to the Minister of Hacienda of the Republic, to the Fiscal Agent and to the Department of State of the United States of America for its records. All documents, books and accounts of the Customs Administration shall at all reasonable times be open for inspection and verification by the Auditing Department of the Republic.

(i) Within fifteen days after the close of each calendar month, *to render an account,* in quadruplicate, of all sums received and disbursed during each month; and, within thirty days after the close of each fiscal year, to render a full report, in quadruplicate, in such detail as the Fiscal Agent may require, of the administration of customs revenues during such year. *One copy of each monthly account and of each annual report shall be delivered to the Minister of Hacienda of the Republic, one copy to the Department of State of the United States of America, and two copies to the Fiscal Agent.*

Upon receipt by the Republic of any such account or report, the Republic shall have the right to make to the Fiscal Agent any representation with respect thereto or with respect to the conduct of the Customs Administration, as the Republic may, in its discretion, deem advisable. At the expiration of the period of fifty days after the receipt by the Republic of any such account or report, the Fiscal Agent may conclusively presume that such account or report is approved and that the conduct of the Customs Administration is in all respect satisfactory to the Republic, except in the respects (if any) specified by the Republic during such period of fifty days. The Collector General shall furnish to the Minister of Hacienda of the Republic, all reports, documents or other information which the said Minister may reasonably request or need in compiling the fiscal reports of the Republic concerning the administration of the customs.

(j) *To make such recommendation to the Minister of Hacienda from time to time as he may deem advisable for the purpose of increasing the efficiency and economy of the customs service or increasing the revenues thereof.* To this end it is agreed that the Government of the Republic may at any time make thorough agreement with the Fiscal Agent, the modifications or alterations to the present article which they deem necessary and which may tend to advance the customs service of

the Republic to the benefit and the interests of the country and the service of the Loan.

(k) To enforce and carry out with strict impartiality all valid and lawful rules and regulations which may at any time be in force respecting the collection and administration of customs.

(l) To exercise all the rights of the "Fiscal Representative" in Salvador as provided in this contract as well as those in this Article conferred.

Facilities for Collector General.

Article XXII.—The Republic will at all times furnish or cause to be furnished to the Collector General and to the Customs Administration all necessary or reasonable facilities for the receipt and collection of customs, including adequate wharves, docks, warehouses, offices and other buildings, and special customs guards in sufficient numbers to prevent traffic in contraband. Such *guards shall be recruited and armed by the Republic and paid out of the general revenues,* and the cost thereof shall not be considered as part of the expenses of the Customs Administration.

Miscellaneous Provisions.

Article XXIII.—(a) For the purpose of giving full effect to this Contract in respect to the moneys required to be remitted or paid in each month for the service of the several series of Bonds, as provided in paragraphs (a), (b) and (c), respectively, of Article XII, hereof, the Republic hereby expressly agrees that, anything herein contained to the contrary notwithstanding, the Fiscal Agent of the Loan shall retain from the proceeds of the sale of any Bonds of Series A a sum in cash sufficient for the full service of the Loan for the second six months of the year 1922, and that the Fiscal Agent shall apply the moneys so retained, or cause the same to be applied, in the same manner as if the same had been remitted or paid by the Fiscal Representative; provided, that as remittances or payments are made by the Fiscal Representative during the said second six months of the year 1922, but not thereafter, the Fiscal Agent shall release from time to time, and pay out upon the joint order of the Minister of Hacienda of the Republic and Rene Keilhauer and R. W. Hebard so much of such remittances or payments as may equal but shall not exceed in the aggregate the sum so retained from the proceeds of the Bonds.

(b) Wherever in this contract any advice, notice or other communication is provided to be given or made by the Fiscal Agent to the Republic, such advice, notice or communication may be given or made (except as otherwise expressly provided in this Contract) by the delivery thereof, addressed to the Minister of Hacienda of the Republic, either at the legation of the Republic in Washington or at the Consulate of the Republic in the City of New York, or, at the option of the Fiscal Agent, such advice, notice or communication may be given or made by depositing the same in the mails, enclosed in a stamped, sealed

envelope, addressed to the said Minister of Hacienda at the City of San Salvador.

(c) The Republic hereby pledges its full faith and credit for the payment of the Loan hereby constituted and of any and all Bonds at any time issued pursuant to this Contract both as to principal and interest, and for the due and punctual performance by the Republic of all the covenants and agreements herein contained to be performed or observed by it.

(d) Anything herein contained to the contrary notwithstanding, it is hereby expressly agreed that any power or duty by this Contract provided to be exercised or performed by the Republic, or by an Officer or Department of the Republic, may and shall be exercised or performed, from time to time, by any governmental agency at the time lawfully constituted or empowered to act in the premises, with the same force and effect as though such agency were named herein.

(e) This contract shall not become operative for any purpose until the same shall have been authorized, ratified and sanctioned in accordance with the Constitution and the Laws of the Republic and until all other legal conditions and necessary pre-requisites shall have been duly performed and complied with and official notification thereof shall have been transmitted to the Fiscal Agent through the Department of State of the United States of America, and all liens on the Custom House have been duly cancelled by the creditors to the satisfaction of Keith and the Fiscal Agent.

(f) *Keith shall have full right to transfer and assign this Contract to any Bank or Banks, Banker or Bankers, or other financial institution or institutions,* which in his sole discretion he may select and thereupon all the powers, rights and obligations conferred and assumed by Keith shall be deemed ipso facto to have been conferred and assumed by the Bank, Bankers, or other financial institution to which such transfer shall have been made.

(g) This Contract shall be drawn up in the English and Spanish languages, but, in the interpretation of the same, the English text shall govern.

(h) This Contract shall be construed in accordance with the laws of the State of New York, United States of America.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed, in quadruplicate, the day and year first above written.

FOR REPUBLIC OF EL SALVADOR
RENE KEILHAUER

MINOR C. KEITH.

Sworn to and subscribed before me this 24th day of June, 1922.

ROBERT LARSON,
Notary Public, N. Y. County, No. 546
Kings County, No. 199
Term expires March 30, 1924.

Seal

SCHEDULE A.

Statement of the so-called "sterling debt" of the Republic outstanding as of December 31, 1921:

Government Six Per Cent Sterling Bonds of 1908, aggregate principal	£756,900.0.0	
Government Seven Per Cent Sterling Funding Bonds of 1915, aggregate principal amount	201,388.0.0	
Aggregate principal		£958,288.0.0

Accrued Interest on the Above to December 31, 1921

Government Six Per Cent Sterling Bonds of 1908	£60,944.5.0	
Government Seven Per Cent Sterling Funding Bonds of 1915	19,383.10.8	
Total accrued interest to December 31, 1921		£80,327.15.8

SCHEDULE B.

Statement of the interest debt of the Republic, as of December 31, 1921, payable in United States Dollars, to be refunded as provided in the Contract:

By Bonds of Series C.

Loans made by David Bloom & Company, aggregating with Accrued interest	$530,181.38	
Loans made by Leon Dreyfus & Company		
Payable without interest	199,310.01	
Payable bearing interest	382,943.54	
Accrued interest thereon	57,441.52	
Loan made by Banco Occidental	988,975.00	
Loan made by Banco Salvadoreno	654,160.00	
Loan made by Banco Agricola Comercial	660,790.00	
Balance of subsidy of £53,364.12.8 *due to the Salvador Railway* of which 2/3 is payable in Series C Bonds or £35,576.8.5 at $4.85	172,545.78	
Other debts	145,652.77	
	$3,792,000.00	$3,792,000.00

To Be Paid in Cash.

Subsidies due to International Railways of Central America as of December 31, 1921	893,403.98	

Balance of Loan due to International Railways of Central America	360,000.00	
Balance of subsidy of £53,364.12.8 due to the Salvador Railway 1/3 or £17,788.4.3 at $4.25	75,599.00	
	$1,329,002.98	$1,329,002.98
Total Debt		$5,121,002.98

There are also outstanding internal bonds, payable in colones issued in the early part of 1921 and secured by 10% of the import duties approximating 107,527.23 colones. It is estimated that in addition to sums shown above as owing to the International Railways of Central America that a further amount of $106.596.02 is still due to this company for subsidies. The amount of $360,000 referred to above as due to the International Railways of Central America is now approximately $300,000.

Note: The foregoing text is a transcript of the printed contract as given out by Minor C. Keith, Inc. in New York. There is also a Schedule C attached, giving a table of the gross revenues of the Republic for the preceding ten years. The signatures are certified by a Notary Public.

4.

BOLIVIAN LOAN OF 1922

(a) This document belongs in the classification of contracts obtained by previous option, conferred as a condition of an earlier and smaller short-term loan. Some of the conditions under which this contract was entered into are given below. It will serve here to point out its main features: i. e. (1) the creation of a Permanent Fiscal Commission to supervise the Republic's finances, this Commission to consist of three members, of whom two were to be appointed on the recommendation of the Bankers, one of whose appointees was to be elected chairman of the Commission and a director of the Banco de la Nación Boliviana; (2) a pledge of all the securities of the Republic and practically all its revenues, as well as a Railroad to be built with the proceeds of the loan, which railroad would be sold with a 99-year free and tax-free concession in case of default; and (3) the sale of $19,000,000 par value of Bonds at a purchase price of 92 per cent, yielding interest at approximately 8.7 per cent per annum.

Other features of this loan will be found italicized in the text,

and the terms of the earlier options are indicated in the following paragraphs, summarized from the Special Report to the Minister of Finance, dated October 27, 1923, presented by Messrs. J. Saenz and José Mendieta, Financial Agents of Bolivia in New York. A typewritten copy is in the possession of the Bolivian Consul General in New York.

Post-war conditions in conjunction with heavy external indebtedness caused Bolivia to authorize its Consul General in New York to negotiate a short-term loan for $1 million, early in 1922. The Consul seemed to proceed too slowly for the pressing needs of the Treasury, and Adolfo Ballivian, Minister of Bolivia in Washington, was ordered to work in conjunction with him to the same end. Ballivian replied that he would proceed independently of his "subordinate" official, and the negotiations thenceforth took on a dual aspect. Ballivian dealt from the beginning with the Stifel-Nicolaus Investment Co. group, and without further authorization from Bolivia, he seems to have negotiated further than the Million Dollar Loan, laying the groundwork for the later and much larger bond issue, making its issue one of the essential conditions of the smaller loan. In the meanwhile, the Consul's negotiations with the National City Bank seemed to be about to bear fruit when Ballivian sent a cable to Bolivia, demanding that his authorization be withdrawn, since he claimed that it was compromising his own negotiations. This was done, and the first Stifel contract printed below was signed. Later negotiations were necessarily along the lines of this very general contract, which not only served to keep other banking groups away (the National City for one, which demonstrated great interest until it was informed of the definite nature of the option granted in the Stifel contract), but restricted further negotiations with the Stifel-Nicolaus group to its terms. Throughout, the consul's efforts were hampered by misrepresentation, rumors that he was unauthorized, delays, and obstructions. There can be no reasonable doubt that Ballivian was more than partial to the Bankers; the report from which this information is taken was made to establish that fact, and the iniquity of the loan

is still the major issue of the opposition in Bolivian national politics. For a worse feature followed. On August 9 the National City Bank, which had become interested, withdrew from negotiations. In November, the definite contract for the short term loan was signed. In cabling for the approval of the Bolivian Government it was stated by Stifel that the terms of this new contract were exactly the same as those laid down in the preliminary contract, except that the bonds of the Morgan loan were demanded as security. A reading of the first and second of the contracts appended hereto will result in showing that this is not entirely true, and that the November contract demands more stringent terms of the Republic. The option has remained a six months option, but Bolivia is deterred from any financial operations for a period of three years without the Bankers' consent, a virtual blanket option surrendering the fiscal sovereignty of the country. Finally, the third contract was entered into, the one for the major loan. The terms of this contract are unusually and unnecessarily severe for a country of Bolivia's financial standing; and were, it is fair to conclude, imposed only by the complete and long-term option which the Stifel-Nicolaus Investment Co. had obtained from Ambassador Ballivian.

(b) Contract of November 12, 1921

(Preliminary Contract)

The following contract has been entered into by the Government of the Republic of Bolivia, represented by the Bolivian Minister in Washington, his Excellency, Mr. Adolfo Ballivian, hereinafter called the "Minister," and Mr. Arnold Stifel, Treasurer of the Stifel-Nicolaus Investment Company, of St. Louis, Missouri, which is hereinafter designated as the "Bankers."

As represented in Schedule A, the Bankers have proposed to the Minister to make a loan of One Million Dollars to the Republic of Bolivia at 6% at par, for a period of six months, and this plan has been accepted, according to Schedule B.

As remuneration for making this loan, the Government of Bolivia has given the Bankers an option on a loan of $15,000,000 for consolidation of debt, which loan shall be settled and agreed upon immediately. Should these negotiations result in failure, the Government of Bolivia shall pay an indemnity to the bankers to the amount of 9% of the loan of $1,000,000, or $90,000.

The Minister has agreed to pledge the following values, as a guarantee of the loan:

(a) 50% of the receipts of the Customs of Villazon, or ..	Bs 220,000
(b) Telegraph impost	280,000
(c) Tax on banking profits	500,000
Total	Bs 1,000,000

this minimum sum being guaranteed by the Republic, *and in addition a subsidiary charge on the security given to Messrs. J. P. Morgan & Company in accordance with the loan made by them which now amounts to £344,000 approximately.* It remains understood that the guarantees of the Morgan Loan are the following:

(a) The product of the tax on banking and commercial operations ..... (This sum is subject to confirmation)	Bs 9,940,000
(b) The product of the tax on tobacco, cigars, and cigarettes, at least ten per cent.....	720,000
(c) the product of the taxes on mortgaging bank-notes....	100,000
Total	Bs 10,760,000

This loan of a million dollars shall constitute a direct obligation of the Republic of Bolivia, and shall therefore constitute a charge on all the taxes of the Nation, apart from the guarantees before mentioned.

In case the loan of $15,000,000 should be realized, this loan of $1,000,000 shall be paid with the product of the loan of $15,000,000 on terms and conditions to be agreed upon.

It remains understood that *all costs in connection with this loan shall be paid by the Government of Bolivia, and that this contract, with respect to its details, is subject to the ratification of the Board of Directors and the Counsel of Stifel-Nicolaus Investment Company of St. Louis, Missouri, and the approbation of the Department of State in Washington.*

(Signed) Adolfo Ballivian,
Minister of Bolivia.
(Signed) A. G. Stifel

Witnesseth: (Signed) Rudolph Hecht

(c) Agreement between the Republic of Bolivia and Stifel-Nicolaus Investment Company, Spencer Trask & Company, and the Equitable Trust Company of New York, December 5, 1921.

A contract entered into in the City of New York, today, December 3, 1921, between the Republic of Bolivia, represented by its Ambassador Extraordinary and Plenipotentiary Minister in the United States, his Excellency, Mr. Adolfo Ballivian (hereinafter called the Republic), contracting party of the first part, and the Stifel-Nicolaus Investment Company, a corporation in the State of Missouri, Spencer Trask & Company, a partnership in the State of New York, and the Equitable Trust Company of New York, a corporation in the State of New York,

(hereinafter called the Bankers), parties of the second contracting part, is to the following effect:

Whereas the contracting parties wish to carry out, with certain modifications and additions, the contract entered into on 12 November, 1921, in the city of Washington between the Republic of Bolivia, and the Stifel-Nicolaus Investment Company, one of the parties that constitute the second contracting part, *a contract which was approved by a cable of 14 November, 1921, signed by his Excellency, the President of Bolivia, and by the members of the Cabinet.*

Therefore, in consideration of the foregoing, and of the facts and agreements to be stipulated herein, the following is hereby agreed upon:

First: With priority to the contracting of this instrument, and with anticipation of the realization of this contract, the Bankers have deposited in the power of the Equitable Trust Company of New York, in the name of the Republic, the sum of One Million Dollars, in gold of the United States, the said sum to be disposable by order of the Minister of Finance of the Republic by drawing-order or cable, said order or cable requiring the authentication of the Minister of Bolivia in the United States or the Consul General of Bolivia in New York.

From this sum the Minister of Finance may immediately withdraw a sum not to exceed One Hundred Thousand Dollars; *against the remainder, he may draw as soon as the Congress of the Republic has authorized the Executive to contract the present loan on the terms of this contract; with the condition, however, that such authorization be conferred no later than 17 December of this year;* the legality of such authorization shall be confirmed by the lawyers of the Bankers. If the Republic, through mediation of its Congress, should not authorize the present loan before 17 December, 1921, the sums loaned to the Republic before that date shall be immediately repaid, but in that case, the other dispositions of this contract shall continue in effect.

Second: The credit of One Million Dollars mentioned above constitutes a loan that the Republic agrees to repay the Equitable Trust Company in account with the Bankers, on the fifth day of June of 1922, or before that date, independently of the guarantee of the same established below. Said payment shall be effected in the office of the Equitable Trust Company of New York, in the City of New York, in equal gold coin of the United States of the present weight and fineness, *plus interest at the rate of 6% per annum on One Million Dollars,* computed from this date to the date of payment. *The Republic hereby irrevocably pledges its faith and credit for the punctual payment of said sum and interest.*

Third: The capital and interest of said loan as well as any other sums that the Republic shall have to pay, by virtue of this contract, shall be, and *are hereby guaranteed by pledge of Bonds of the Republic, commonly known by the name of "Morgan Sterling Loan of 1909," for the total amount of £292,800.* Simultaneously with entering into this

contract, *the Republic has delivered to the Equitable Trust Company of New York, as security, bonds of the above mentioned Morgan Loan for the sum total of £250,000,* to be held and considered by the Equitable Trust Company as a subsidiary guarantee in accordance with the present contract. *Until the remaining £42,000 of Bonds of the Morgan Loan are delivered, the credit of One Million Dollars that the first paragraph establishes shall be at the disposal of the Republic only up to the point and in the proportion that the bonds that the Equitable Trust Company receives cover the sum total of bonds that should be pledged in accordance with the present contract, that is, in the proportion that One Million Dollars has to £292,000 in bonds.*

As long as the cited bonds continue to serve as security for the payments to be made in accordance with this contract, any payment that may be made on said bonds by the Republic, or for its account, either as interest or capital, shall be paid to the Equitable Trust Company of New York and shall be applied by the latter to the reduction of the above-mentioned loan or to the payment of whatever other sums the Republic may owe in accordance with this contract. Upon the effecting of the due and punctual payment by the Republic to the Bankers of the cited loan, as well as of the interest on the same, at maturity, or before this date, and upon the effecting of the payment of all the other sums that the Republic must pay the Bankers in accordance with this contract, the cited bonds shall remain free from any pledge upon them, and the Equitable Trust Company of New York shall deliver them immediately to the person or persons that the Minister of Finance of the Republic designates in writing or by cable.

In case of failure of fulfillment of this contract, the Equitable Trust Company of New York may, at its discretion, continue holding the cited bonds pledged as subsidiary guarantee, and from time to time it *may charge any sums owed by the Republic on the cited pledged bonds* and apply them to the debt of the Republic in the manner indicated above; or it may proceed to the sale of the cited pledged bonds at public sale in the city of New York, with previous notification to the Republic of not less than thirty days. In case of such sale, the Trust Company shall apply the product of the same:

(1) To the payment of the cost and expenses of the sale.

(2) To the payment of any quantities that the Republic owes the Bankers on that date in accordance with this contract; and

(3) The remainder, if any, to the Republic.

Fourth: The loan of One Million Dollars mentioned above is made with the end that the Republic may face its immediate obligations, and with the purpose of permitting the Republic and the Bankers to negotiate an additional loan not to exceed Fifteen Million Dollars, which the Republic needs to consolidate various external and internal loans and for other governmental purposes; and in consideration of the loan made by virtue of the present contract and of the services lent by the Stifel-Nicolaus Investment Company on connection with the negotiations that

have resulted in the present loan, *the Republic agrees to negotiate the major loan to which reference has been made with the parties that compose the second part of the present contract exclusively, and it agrees that for a period of six months from this date, it shall not negotiate or issue any external loan, nor guarantee any loan that others may make, without the consent of the Bankers. The Republic also confers in favor of the Bankers a right of preference for the purchase on the best terms that any other responsible house offers, of any loan that the Government should issue within three years of this date.* If, after the Republic has negotiated some other loan, some part of the present loan remains unpaid, or some other sums that the Republic owes the Bankers in accordance with the present contract, remain unpaid, these shall be paid from the product of the new loan. *If the major loan to which reference has been made, should be effected, the Republic shall appoint as Fiscal Agent of said loan, from among the corporations that constitute the second part of the present agreement, the one designated by the corporations composing the second part.*

Fifth: If, for any reason, the additional projected loan of the Bankers to the Republic should not be effected before 5 July, 1922, the Republic shall pay the Equitable Trust Company of New York, for the account of the Bankers, as an additional compensation for the present contract, on the cited 5 July, 1922, in the office of the Equitable Trust Company of New York, the sum of Ninety Thousand Dollars.

Sixth: All the costs incurred in relation with this loan and contract, and with the fulfillment of the same, shall be for the account of the Bolivian Government, and the amount of said costs shall be paid from the product of the cited loan.

Seventh: Any notice, request or other communication that the Bankers may have to give to the Republic, in accordance with the present Contract, shall be given in writing addressed to the Minister of Finance of the Republic, and shall be considered as duly effected if delivered at the Legation of the Republic of Bolivia at Washington, D. C., or at the Consulate General of Bolivia in the city of New York.

Any notice or other communication from the Republic to the Bankers must also be in writing addressed to them and delivered in the offices of the Equitable Trust Company of New York.

In witness thereof, the Republic of Bolivia has had Mr. Adolfo Ballivian, who is its Ambassador Extraordinary and Plenipotentiary Minister in the United States, sign the present contract in its name; the Stifel-Nicolaus Investment Company and the Equitable Trust Company of New York have had the present contract signed in their respective names by their duly authorized officials; and the Equitable Trust Company of New York has had its seal affixed and witnessed, and the cited Spencer Trask & Company has had the present contract signed and sealed on the day and year first named.

This contract is issued in quadruplicate.

In the presence of:

(Signed) M. A. Borges

REPUBLIC OF BOLIVIA.

By (Signed) Adolfo Ballivian.
Ambassador Extraordinary and
Plenipotentiary Minister.

STIFEL-NICOLAUS INVESTMENT CO.

By (Signed) A. G. Stifel,
Treasurer.

SPENCER TRASK & COMPANY
THE EQUITABLE TRUST CO. OF NEW YORK

By (Signed) M. K. Parker,
Vice President.

WITNESSETH:

(Signed) W. J. Eck, Secretary

(d) REPUBLIC OF BOLIVIA
and
THE EQUITABLE TRUST COMPANY OF NEW YORK

TRUST CONTRACT

New York, May 31, 1922.

Contract made at the City of New York this 31st day of May, one thousand nine hundred and twenty-two, between the REPUBLIC OF BOLIVIA (hereinafter called the "Republic"), party of the first part, and THE EQUITABLE TRUST COMPANY OF NEW YORK, a corporation organized under the laws of the State of New York (hereinafter called the "Trustee"), party of the second part;

Witnesseth:

Whereas, the Republic desires to obtain a loan for the purposes of refunding a part of its outstanding indebtedness, of meeting certain maturing obligations, of constructing and equipping certain railways and of constructing highways; and

Whereas, in order to carry out the above purposes, the Republic proposes to create and issue its Bonds to the aggregate principal amount of Thirty-three Million Dollars ($33,000,000) United States gold, to be secured under this contract and as hereinafter stated; and

Whereas, the Republic desires The Equitable Trust Company of New York to act as Trustee under this contract and as Transfer Agent of such Bonds, with the powers and duties hereinafter described.

Now, Therefore, in consideration of the premises and of the mutual covenants and undertakings hereinafter contained, the parties hereto covenant and agree to and with each other as follows:

ARTICLE FIRST

Representations by the Republic.

The Republic declares and represents:

Section 1. That by virtue of the law of the Congress of the Republic number _____ of May 24, 1922, the Executive Power of the Republic is duly authorized to conclude the present contract, to issue bonds of the Republic as hereinafter provided, and to secure the same in the manner hereinafter set forth.

Section 2. That all legal and other acts, conditions and things which should have been done or should have happened or existed prior to the issue of the Bonds hereinafter mentioned, have existed, happened or been done as required by the Constitution and laws of Bolivia and strictly in accordance therewith.

Section 3. That all of the properties and revenues mentioned under Article Fourth below belong to the Republic in absolute ownership, and that the same are free and clear of all liens and encumbrances, except as specifically mentioned in said Article, and that the liens and encumbrances thus specifically mentioned will be discharged in the manner hereinafter provided immediately following the execution of this Contract.

Section 4. That it has outstanding the following internal obligations, none of which is secured by any of the funds, revenues and taxes pledged hereunder, namely:

(a) Bank's various accounts	500,000	Bolivianos
(b) Time obligations	5,836,321	"
(c) Foreign Bankers	49,125	"
(d) Special railroad guarantees	2,741,479	"
(e) Bank's current accounts	7,318,163	"

Section 5. That the statements, representations and statistics contained in the document annexed hereto entitled "Statistical Information" and made a part hereof as "Schedule A" are true and correct in every particular.

Section 6. That the Republic has never defaulted on any of its external loans.

ARTICLE SECOND

The Bonds.

Section 1. The Bonds shall be known as *"Republic of Bolivia External 25-Year Secured Refunding 8% Sinking Fund Gold Bonds." The total amount of Bonds to be issued shall not exceed $33,000,000.*

Section 2. The Bonds shall be dated May 1, 1922, and mature May 1, 1947. The definitive bonds shall be of denominations of One Thousand Dollars ($1,000) and Five Hundred Dollars ($500) each, in such proportions as the Bankers hereinafter mentioned shall determine.

Section 3. The Bonds shall bear interest represented by coupons at the rate of eight per cent. (8%) per annum, payable semi-annually on May first and November first of each year. When and as paid the coupons shall be cancelled by the Trustee and delivered to or upon the order of the Minister of Finance.

Section 4. The Bonds, as to principal, premium and interest, shall be payable at the principal office of the Trustee in the City of New York in gold coin of the United States of America of or equal to the present standard of weight and fineness.

Section 5. The Bonds and coupons shall be in the English language and shall be substantially in the forms of the annexed "Schedule B" and "Schedule C" respectively.

The definitive Bonds shall bear the engraved facsimile signatures of the President of the Republic and also of its Minister of Finance, and shall be signed in the City of New York by a special delegate or delegates of the Republic appointed for that purpose. They shall also have affixed thereto or engraved thereon the seal of the Ministry of Finance of the Republic. The coupons shall bear the facsimile signature of the Minister of Finance of the Republic.

Section 6. The Bonds shall be payable to bearer or, if registered, to the registered holder thereof, with the privilege on the part of the holder, under such regulations as the Trustee may prescribe, to have Bonds registered as to principal and premium. The Republics shall keep with the Trustee in the City of New York books for such registration and transfer of bonds; and the Trustee is hereby authorized so to register and transfer bonds therein. After such registration, the principal and premium shall be payable only to the registered owner, but the Bonds may be transferred to another registered owner or may be discharged from registry by being transferred to bearer. The coupons shall, in all cases, be payable to bearer.

Section 7. The bearer of any coupon or of any bearer bond, or, if registered, the registered owner of such registered bond, may be deemed and treated by the Republic and the Trustee, and each of them, as absolute owner of such coupon or bond for the purpose of receiving payment thereof, and for all other purposes; and no notice to the contrary shall affect the Republic or the Trustee.

Section 8. Each Bond shall bear endorsed thereon a certificate in the English language substantially in the form annexed hereto marked "Schedule D." No Bond shall be valid until such certificate shall have been signed by the Trustee, and such certificate so signed shall be conclusive evidence and the only evidence that the Bond so certified has been duly issued in pursuance of this Contract and that the holder is entitled to the benefits thereof.

Section 9. *The Loan represented by the Bonds shall constitute and is hereby declared to be a direct liability and obligation of the Republic and a part of the external public debt, irrespective of any security provided hereunder;* and the Republic hereby pledges its faith and credit

to the due and punctual payment of the principal, premium and interest of the Loan and of all amounts required for or incident to the service of the Loan and for the performance of all undertakings herein contained on its part to be performed.

Section 10. In case any Bond, with its coupons, shall become mutilated or be destroyed or lost, the Republic may execute and deliver to the Trustee and thereupon the Trustee, at the request of the Minister of Finance of the Republic, shall authenticate and deliver a new Bond of like amount, tenor and date, bearing the same number and designation, in exchange or substitution for and upon surrender and cancellation of the mutilated Bond and its coupons, or in lieu of and substitution for the Bond and its coupons so destroyed or lost; but in case of a destroyed or lost Bond, such new Bond shall be issued only in the discretion of the Republic and of the Trustee, upon receipt by the Republic and by the Trustee of evidence satisfactory to them of the destruction or loss of such Bond and its coupons, and upon receipt of indemnity satisfactory to said Republic and Trustee.

Section 11. *As and when from time to time requested by Stifel-Nicolaus Investment Company, Spencer Trask & Co. and The Equitable Trust Company of New York (hereinafter called the Bankers)* the Republic shall make or authorize to be made application for official listing of the Bonds upon the New York Stock Exchange and upon any other Exchange, and shall prepare and sign the necessary prospectuses and other documents, and otherwise comply with the requirements of such Exchanges. The Republic shall do such acts and execute such agreements as may be necessary to obtain the official listing of the Bonds on such Exchanges.

Section 12. Pending the engraving and execution of definitive Bonds, the Republic shall execute and deliver to the Trustee one or more temporary printed or typewritten Bonds substantially of the tenor of the definitive bonds, except that not more than one coupon shall be attached thereto and except that said temporary bonds need not bear the engraved fac-simile signature of the President of the Republic or of its Minister of Finance, but shall bear the seal of the Ministry of Finance of the Republic or of the Consul General of Bolivia in New York affixed or printed thereon and shall be signed by the Consul General of Bolivia in the City of New York who has been duly authorized for that purpose. Temporary bonds may be issued in such form and in such denomination or denominations as the Bankers may determine. Each temporary bond shall have printed upon its face "Temporary Bond Exchangeable for Engraved Bonds" and shall be duly authenticated and delivered by the Trustee in the same manner and with like effect as the definite bonds. Temporary bonds shall be exchangeable for other temporary bonds of equal denomination, or of different denominations if approved by the Bankers, and for definitive bonds when engraved and executed; and upon such exchange the temporary bonds shall forthwith be cancelled by the Trustee and, having been so

cancelled, shall be physically destroyed in the presence of representatives of the Trustee and of the Republic. Said representatives shall execute duplicate certificates attesting the destruction, and shall deliver one counterpart thereof to the Republic and one counterpart to the Trustee. Until so exchanged, such temporary bond or bonds shall in all respects be secured under this Contract, and when and as payable interest shall be paid to the bearer of the coupon, if represented by a coupon; if not represented by a coupon such interest shall be payable to the bearer of the bond or bonds on presentation thereof and such payment shall be noted on the Bond or Bonds. Without unreasonable delay, the Republic shall cause definitive bonds in engraved form to be duly executed and delivered to the Trustee, to be exchanged for such temporary bonds upon surrender thereof to the Trustee.

Section 13. *The Bonds shall always be exempt as to principal, premium and interest from any and all imposts, contributions or other taxes now or hereafter levied or collected by or within the Republic, whether national, departmental, municipal or of any other nature, and whether they be on the Bonds or the income derived therefrom or on the holder thereof by reason of his ownership or possession of such Bonds, and whether the latter be a citizen of a state friendly or hostile to the Republic of Bolivia. This Contract and all other documents, whether public or private, and whether executed in the Republic of Bolivia or elsewhere under the terms of this Contract or in execution thereof, shall also be exempt from the payment of all stamp or other duties and taxes imposed by the Republic to which this contract or such documents would otherwise be subject.*

Section 14. Any Bonds not presented for payment on the date of their maturity or not presented for redemption when called for that purpose shall, after the lapse of thirty years from and after the date of such maturity or the date fixed in the call for redemption, as the case may be, cease to be an obligation of the Republic; and upon presentation to the Republic after the expiration of such period shall be cancelled and destroyed and the holder thereof shall have no rights whatever under this instrument or by reason of such Bonds. Any coupons not presented for payment on the date of their maturity shall, after the lapse of ten years from and after the date of such maturity, cease to be an obligation of the Republic, and no holder thereof shall have any rights whatsoever under this instrument or by reason of such coupons; and, upon presentation to the Republic after the expiration of such period, such coupons shall be cancelled and destroyed.

For the purposes aforesaid, *the Republic grants to the holders of the Bonds and coupons the periods of thirty years and ten years respectively from the dates of their respective maturities or redemption; and hereby renounces any law which authorizes the Republic to refuse recognition of such additional periods;* but after such respective periods shall have elapsed, the Bonds and coupons respectively shall be of no avail whatever as an indebtedness of the Republic. The Trustee accepts the above concession and renunciation on behalf of the bondholders.

ARTICLE THIRD

Interest and Payment and Redemption of Bonds.

Section 1. The Bonds shall be payable at maturity at par. They shall not be redeemable prior to May 1, 1937: *on and after that date they shall be redeemable at the option of the Republic at 105% of their par value and accrued interest as a whole, but not in part (except through the operation of the sinking fund) on any interest payment date.*

Section 2. Until the principal, premium and interest on said Bonds shall have been fully paid or provided for as hereinafter stipulated, the Republic shall pay or cause to be paid to the Trustee in each half year in New York in the manner hereinafter in Article Sixth and Section 3 of Article Eighth provided on or before the first days of April and October of each year, beginning with October, 1922, a sum equal to five per cent. (5%) of the par value of all Bonds which may theretofore have been authenticated and delivered hereunder; and in addition to said sum such further sum as may be required to cover the compensation of the Trustee in connection with the service of the Loan. The first mentioned sum thus to be provided, i. e., the 5% of the par value of Bonds authenticated and delivered, shall be applied by the Trustee; first, to set aside for the payment of such interest an amount equal to the interest due on all outstanding Bonds on the next interest-payment date: and second, the balance, at any time after amounts in excess of said interest requirements shall have been received by the Trustee, as follows:

(a) To the purchase for the sinking find in the open market or by tender, either at one time or from time to time (but not before September 1, 1922) as the Trustee in its absolute discretion may deem best, of Bonds of this issue at prices not exceeding 105% of their par value and accrued interest, exclusive of necessary brokerage charges which shall be considered as expenses of the Trustee;

(b) If, in the course of any semester of any Bond year (that is to say, from May 1st to October 31st of the same year, or from November 1st to April 30th of the succeeding year), the Trustee should be unable to purchase Bonds as aforesaid in the open market or by tender at not exceeding 105% and accrued interest, then and in that case the unexpended balance in the hands of the Trustee at the end of such semester shall be retained by the Trustee to be later applied in the same manner to such purchases whenever market conditions shall permit. Whenever such unexpended balance, together with future additions thereto of similar unexpended semester balances, including interest earned on such balances, shall amount to $500,000, that sum shall continue to be held by the Trustee for the purposes aforesaid, that is to say, for the purchase of Bonds as and when the market shall permit at not exceeding 105% and accrued interest. Whenever and as often as such fund shall be reduced below $500,000 by reason of purchases made as afore-

said (not, however, after May 1, 1937), it shall again be increased up to $500,000 by the addition thereto of subsequent unexpended semester balances.

(c) After said reserve fund of $500,000 shall have been accumulated, all future unexpended semester balances up to and including the semester ending April 30, 1937, except in so far as the same may be required to reinstate said $500,000 fund as above provided, shall, at the end of each semester, be returned to the Republic by the Trustee by the placing of such amount to the credit of the Minister of Finance of the Republic in the Banking Department of The Equitable Trust Company of New York.

(d) From and after May 1, 1937, said fund of $500,000 shall continue to be used for the purchase of bonds as aforesaid whenever market conditions shall permit, provided, however, that said fund shall not be so expended at any time when the Trustee shall have on hand available for the purchase of bonds, at least $5,000 out of amounts received by it in respect of subsequent semesters in excess of the interest requirements of such semesters. Said $500,000 fund, if depleted in this manner after May 1, 1937, shall not thereafter be again accumulated. Any portion of said fund remaining unexpended at maturity shall be applied to the pro rata payment of bonds at par or in the event the bonds should be declared due as provided in Section 12 of this Article, to their payment pro rata at 105% of their par value and accrued interest.

Section 3. Any balances, other than the reserve fund above mentioned, which may remain in the hands of the Trustee on April 1, 1938, or on April 1st of each succeeding year to and including the year 1946, after setting aside as above provided the amount required for the payment of the next semi-annual interest instalment, shall be applied by the Trustee on the first day of May next succeeding to the redemption at 105% of Bonds then outstanding.

Section 4. The particular Bonds to be redeemed on each occasion as aforesaid shall be determined by lot, drawings to be made at the office of the Trustee in the Borough of Manhattan, City of New York. Such drawings shall be held under the direction of a representative of the Trustee, and, at the option of the Minister of Finance of the Republic, in the presence of such representative of the Republic appointed for that purpose as may appear at the drawing. Drawings for Bonds to be redeemed as aforesaid shall be held not later than twenty-five days prior to the date of redemption as set forth in Section 3 of this Article.

Section 5. Forthwith after every drawing to determine the particular Bonds to be redeemed as aforesaid, the Trustee shall give notice in writing to the Republic of the Bonds which have been drawn for redemption and shall also give to the holders of the Bonds so drawn like notice in the manner hereinafter specified. Said notice to the holders of Bonds shall be given by an advertisement to be published not less than once a week for three successive calendar weeks in a newspaper of general circulation in the City of New York to be selected by the Trustee, in each instance, upon any day of the week and in any such newspaper.

The first publication shall be made not less than twenty-two days prior to the date fixed for the redemption of said Bonds. If the holder of any registered Bond so drawn shall have filed with the Trustee a written request that notice of the result of any such drawing be mailed to him at an address given in such request, notice shall be so mailed to him by the Trustee on or before the date of the first publication of notice as aforesaid. The aforesaid notice to holders of Bonds shall state the number of the Bond or Bonds drawn and the date and place for surrender and payment.

Section 6. On the date so specified for redemption the holder of the Bond or Bonds to be redeemed shall surrender the same to the Trustee, with all coupons maturing after the date on which they are to be so redeemed; and upon such surrender the Trustee shall cause to be paid to the holder of such Bonds out of the funds available for that purpose the amount payable to him in respect of such redemption. Any Bonds not so surrendered shall cease to bear interest after said redemption date and all coupons for interest subsequent to said date shall be null and void.

Section 7. All Bonds purchased as provided in this Article and all Bonds redeemed as aforesaid, together with all coupons attached thereto, shall forthwith be cancelled by the Trustee, and having been so cancelled shall be physically destroyed in the presence of representatives of the Trustee and of the Republic. Said representatives shall execute duplicate certificates attesting such destruction, and shall deliver one counterpart thereof to the Republic and one counterpart to the Trustee.

Section 8. The Republic shall have the right to redeem all, but not a part (except as hereinbefore provided), of the Bonds outstanding on any interest-payment due on or after May 1, 1937 at 105% and accrued interest upon not less than 90 days notice to the holders of Bonds given in the manner provided in Section 5 of this Article for twelve consecutive weeks and upon the deposit with the Trustee, prior to date of the first publication of said notice, of the funds required for such redemption. All Bonds outstanding on May 1, 1947, shall be paid at par and accrued interest.

Section 9. Upon the payment in full of all bonds as provided in this Article, or upon the deposit with the Trustee of a sum sufficient under this Article to redeem all such Bonds, or sufficient to cover the payment of all such Bonds at maturity and the interest thereon up to such maturity, and upon payment of all other sums required by this Contract to be paid by the Republic, this Contract shall cease and determine, except that the Trustee shall hold said sum paid as aforesaid and use the same either (1) for the redemption of all outstanding Bonds in the manner provided in this Article for redemption of Bonds; or (2) for the payment at maturity of all outstanding Bonds, and the interest on such Bonds from time to time as the coupons representing such interest shall mature, and for the payment of all other sums required by this Contract to be paid by the Republic; and any securities or cash then held by the Trustee not required for the payment or redemption of said

Bonds or the other payments required to be made hereunder, shall be delivered to or upon the order of the Minister of Finance of the Republic.

Section 10. *All the usual expenses incurred in good faith by the Trustee* in connection with the drawing or purchase of the Bonds under this Article or for the payment of the principal, premium or interest of the Bonds, or otherwise in the service of the loan, including counsel fees, the cost of cabling and the publication of notices et cetera, *shall be paid by the Republic as herein provided.*

Section 11. The mortgages, pledges, liens and other charges in favor of the Bonds shall be cancelled upon the petition of the Republic after the Republic shall have placed in the hands of the Trustee at such times and on such conditions as it may do so, in compliance with this Contract, the necessary funds for the total redemption or payment at maturity of all the Bonds and the payment of the interest thereon.

All shares of stock then held by the Trustee under the provisions of Section 2 of Article Fourth below shall thereupon be delivered by the Trustee to or upon the order of the Minister of Finance of the Republic.

Section 12. *In case default shall be made in any of the payments called for by this Contract, or in case default shall be made in the due performance of any of the covenants of the Republic hereunder, and such last mentioned default shall continue for a period of thirty days, after written notice thereof and demand of performance by the Trustee, the Trustee may, and if thereunto requested by the holders of not less than 10% in amount of the Bonds issued and outstanding hereunder at the time of such default shall, declare due and payable immediately all Bonds then outstanding, and the Republic shall thereupon pay said Bonds at 105% of their par value, plus interest accrued thereon.*

ARTICLE FOURTH

Security.

Section 1. *In order that the Loan represented by the Bonds to be issued as aforesaid shall be secured by a first lien or pledge and charge upon all of the funds, revenues and taxes hereinafter mentioned, the Republic shall immediately*

(a) *Retire and cancel all "External Bonds of the Republic of Bolivia of 1922" at present outstanding by exchanging therefor Bonds of this issue* and also cause to be cancelled and physically destroyed $4,000,000 par value of said Bonds heretofore issued but not delivered and at present deposited with the Guaranty Trust Company of New York, thereby releasing from lien the funds, revenues and taxes which at present secure those Bonds;

(b) *Purchase and / or call for redemption all outstanding Bonds of the Republic (hereinafter called "Bonds of the Morgan Loan") issued under contract dated December 30, 1908 between the Republic and J. P. Morgan & Company of New York,* and cancel all Bonds of that loan,

thereby releasing from lien the funds, revenues and taxes which at present secure the same. To assure the retirement of said Bonds of the Morgan Loan, the Republic shall deposit with the Trustee at the time of the authentication and delivery of the Bonds mentioned in subdivision (a) of Section 1 of Article Eighth hereof £284,600 par value of said Morgan Bonds which are to be surrendered to J. P. Morgan & Company, as hereinafter in Section 4 of Article Eighth provided, and pending such surrender are to be held by the Trustee as part of the security hereunder.

(c) *Purchase and / or call for redemption all outstanding Import Customs Notes of 1915, Export Customs Notes of 1920 and Customs Notes of 1921*, thereby terminating the right of the holders of those notes to tender the same in payment of customs duties and releasing from lien the funds, revenues and taxes which at present secure those Notes.

(d) *Pay all obligations owing by the Republic to local banks at La Paz which are secured by the Republic's shares of stock of Banco de la Nacion Boliviana*, thereby releasing from lien the shares which at present secure such obligations.

Section 2. Subject to the liens and charges at present existing in favor of said "External Bonds of the Republic of Bolivia of 1922" and of said bonds of the Morgan Loan and of said Customs Notes and of said obligations to local banks at La Paz, (all of which liens and charges the Republic shall forthwith discharge as aforesaid) *the Republic hereby affects and encumbers with a first lien or pledge and charge in favor of the Trustee the following shares of stock, funds, revenues and taxes as security for the full payment of the principal, premium and interest of the Bonds, and of all other expenses and amounts required for or incident to this Contract or to the service of the Loan, to wit:*

(a) *All of the shares, not less than 114,000, of the Banco de la Nacion Boliviana belonging to the Republic and which the Republic represents are sufficient at present to control said Bank. For the purpose of constituting a pledge of said shares, the Republic shall deliver to the Trustee hereunder as hereinafter provided either bearer certificates or certificates of stock duly endorsed in blank representing all of the shares referred to and also the certificate representing said shares now in banks at La Paz as security for the bank loans above-mentioned. In case the capital stock of the Banco de la Nacion Boliviana should be increased at any time during the life of this Loan, the Republic shall acquire such proportion of the additional shares as may be necessary to maintain the said control; the shares so acquired shall immediately thereafter be pledged as security for this Loan;* and bearer certificates or certificates of stock, duly endorsed in blank, representing such additional shares, shall immediately thereafter be delivered to the Trustee hereunder;

(b) *All revenues representing dividends payable upon said shares during the life of this Loan;*

(c) *The tax upon mining claims or concessions (patentes mineras)*;

(d) *The revenues received by the Republic from alcohol monopoly (monopolio de alcohol)*;

(e) *90% of revenues received by the Republic from the tobacco monopoly (monopolio de tabacos)*;

(f) *The tax on corporations other than mining and banking (impuesto sobre dividendos de sociedades anonimas no mineras)*;

(g) *The tax upon the net income of banks (impuesto sobre utilidades bancarias)*;

(h) *The tax on interest on mortgage cedulas (impuesto sobre la renta de letras hipotecarias)*;

(i) *The tax on the net profits of mining companies (impuesto sobre utilidad de empresas mineras)*;

(j) *All import duties (derechos de importaciones)*;

(k) *Surcharge on import duties (recargo de derechos de importaciones)*;

(l) *All export duties (derechos de exportaciones)*.

If and when the $4,000,000 of bonds referred to in paragraph (b) of section 2 of Article Eighth below, or any part thereof shall be authenticated and delivered, *all funds, revenues and taxes now or hereafter allocated by special laws to the construction of the Potosi-Sucre Railroad, shall thereupon become pledged as further security for all of the bonds of the present issue, without the necessity of further instruments or of any action on the part of the Republic.*

Section 3. *The lien upon the dividends, funds, revenues and taxes referred to in the preceding section shall be considered as a pledge of said dividends, funds, revenues and taxes and any precept or provisions of law requiring that such pledge remain in the possession of the pledgee or of a third party are hereby expressly waived, it being agreed that such pledge shall attach to said dividends, funds, revenues and taxes from the moment that the same shall be collected by the Republic.*

The shares of stock of the Banco de la Nacion Boliviana deposited hereunder so long as there shall be no default hereunder, shall be voted by the Republic in such manner as the Executive may deem proper not inconsistent with the provisions of this contract. From time to time in case such shares shall have been transferred into the name of the Trustee or its nominee, the Trustee, upon the written or cabled request of the Minister of Finance of the Republic, shall execute and deliver, or cause to be executed and delivered, to said Minister, or to his nominee named in such request, appropriate powers of attorney or proxy to vote such stock or to execute a waiver or consent with respect to such stock for such purpose, or purposes, as may be specified in such request, except that every such power of attorney or proxy may be limited so as to provide in effect that the powers thereby conferred do not include any power to vote for or to authorize a consent to any act or thing inconsistent with the provisions of this contract. *In case of default hereunder, they shall be voted by the Trustee and the Trustee, at its option, may, and if so requested by ten per cent. (10%) of the holders of Bonds then outstanding shall, cause such of said shares as may not be*

bearer shares to be transferred into its own name or into the name of its nominee or nominees.

The Trustee may receive delivery of certificates representing the above mentioned shares in Paris, or elsewhere, and may hold the same in Paris, or in the United States, or elsewhere, in any safe deposit or banking institution selected by it. *All costs and charges in connection with the custody or shipment of said certificates shall be paid by the Republic.* It may surrender the same for the purpose of having them exchanged for certificates of different denominations or certificates in the name of the Minister of Finance of the Republic, or of his nominee or in the name of the Trustee or its nominee. All certificates in the name of the Minister of Finance of the Republic, or his nominee, shall be forthwith deposited with the Trustee, endorsed in blank or accompanied by proper instruments of assignment and transfer in blank. The Trustee shall not, however, be required at any time to accept a certificate for any shares of said stock, or to cause or permit a transfer thereof to be made to it if, in the opinion of the Trustee, such action would subject it to the risk of any liability.

So long as there shall be no default hereunder, the Republic shall be entitled to receive and collect all dividends upon the pledged shares and the Trustee, from time to time, shall deliver, upon the written or cabled order of the Minister of Finance, current dividend warrants, if any, pertaining to the said shares, or suitable assignments and orders in favor of said Minister, for the payment of such dividends and shall likewise pay over any sums collected by the Trustee as such dividends.

If and so long as the Republic shall be in default hereunder, the Trustee shall revoke all such orders and collect and receive all dividends on the above mentioned shares and the Republic authorizes the Banco de la Nacion Boliviana, in such case, to pay such dividends to the Trustee, and all dividends so received by the Trustee shall be applied to the service of the loan. Anything herein contained to the contrary notwithstanding, it is hereby expressly agreed that the Republic shall not be entitled to receive any dividend other than a cash dividend paid out of earnings accrued after May 1, 1922, or any sum paid upon the liquidation or dissolution of the Banco de la Nacion Boliviana upon any share of said stock at the time pledged under this contract.

The Trustee shall be entitled to assume that any cash dividend received by it is paid out of earnings accrued since May 1, 1922, unless and until notified in writing to the contrary by the Bankers and, in the absence of such written notice, it shall be conclusively presumed, as between the Trustee and the bondholders, that the Trustee, in making any payments thereof to the Republic, acted in good faith.

In case any dividends shall be paid on any share of said stock at the time deposited hereunder, other than a cash dividend paid out of earnings accrued since May 1, 1922, or, in case of the liquidation or dissolution of the Banco de la Nacion Boliviana any sums shall be paid upon any such share of stock, then in every such case, any such sum shall be paid to the Trustee and, when received by the Trustee, shall be

applied to the purchase and/or redemption of bonds, as provided in Article Third hereof.

Section 4. *As further security hereunder, the Republic hereby constitutes first mortgages and liens upon all the properties and earnings of the railroads constructed and to be constructed from Villazon to Atocha and from Potosi to Sucre, including their franchises, concessions, equipment and other appurtenances, and upon the net income of said railroads after deducting the expenses of operation.*

The Republic hereby declares that said mortgages and liens are constituted by virtue of the present Contract and that no record thereof is necessary and that no further mortgages or other instruments are required to be executed or recorded in connection therewith. The Republic furthermore declares that said mortgages include the railroads and also their lands, services, buildings, rails, cars, locomotives, telegraph and telephone lines, equipment, and other things of every kind and description in any manner relating to the same, and all other properties and appurtenances belonging to said railroads, or for use in connection therewith, whether constructed and/or acquired or to be constructed and/or acquired, and as the same may be constructed and/or acquired without the necessity of the execution or recording of any other instruments.

In case said rolling stock, equipment or any other things belonging to or used in connection with said railroads, or either of them, should be held or considered to be personal property not subject to mortgage, *there is hereby constituted thereon a special lien and any provisions of law in conflict therewith are hereby waived*, and it is further agreed that in the enforcement and execution of such special lien there shall be observed the procedure laid down in the Code of Civil Procedure of the Republic of Bolivia with reference to the foreclosure of mortgages upon real estate.

In case the said railroads, or either of them, should be sold as a result of the foreclosure of the mortgage or the enforcement of said lien, the purchaser at such sale, and his heirs, personal representatives, successors and assigns, shall have, and the Republic hereby grants to him and them, the right to operate the said railroad for a period of 99 years from the date of such purchase, with all the rights and privileges accorded by and subject to the provisions of the General Law of Railroads of the Republic of Bolivia of October 3, 1910, and its Regulations, and any laws amendatory thereof, approved prior to the date of this contract. In that case, the purchaser or any company that may be organized by the purchaser for the operation of said railroads, or either of them, as also the entire business and properties thereof, shall, in respect to said railroads be free from taxes and imposts of all kinds.

Section 5. If, during any fiscal year, the proceeds derived from the pledged dividends, funds, taxes and revenues should be less than one and one-half times the amount required for the annual service of the Loan, *the Republic shall immediately pledge as further security for said Loan such additional taxes or revenues other than all present or*

future taxes on petroleum and on petroleum claims and concessions as may be approved by the Banker to an amount sufficient upon the basis of the collection of such additional taxes or revenues during said fiscal year to increase the proceeds of all pledged dividends, funds, taxes and revenues to the proportion stated. If, during any fiscal year subsequent to the pledging of such additional taxes and revenues, all of the pledged dividends, funds, taxes and revenues (including such additional taxes and revenues), should exceed three times the amount required for the annual service of the Loan, such additional taxes and revenues shall, at the request of the Republic, be released by the Trustee from said pledge. The sums required for the above purposes shall be calculated upon the basis of the average rate of exchange in La Paz on New York for dollar sight drafts for the twelve months immediately preceding, or the rate current at the time of such additional pledge or request for release, whichever shall be more favorable to the dollar.

Section 6. As further security hereunder, the Republic agrees that so long as any Bonds remain unpaid or unprovided for, the liens and charges herein created upon the revenues of the Republic shall have priority, whether as to capital, interest or redemption of said Bonds, over all future charges or liens created on the said revenues, and that no lien or charges shall be created upon such revenues which shall take precedence of or which shall be on a parity with the said Bonds, or which in any manner whatsoever shall decrease, alienate, affect, impair or prejudice the security hereunder; and the Government will not consent to any act which in any manner whatsoever shall diminish or impair the security provided for by this contract.

Section 7. To further secure the Loan and to protect the credit of the Republic, *the Republic shall not, prior to December 5, 1925, contract any external loan without the previous approval of the Minister of Finance of the Republic and of the Bankers. After that date and so long as any Bonds of the present Loan shall remain outstanding, the Republic shall not contract any further external loan unless*

(a) *The taxes and revenues pledged for the service of the present Loan shall, for a period of two years immediately preceding such New Loan, have annually produced at least one and one-half times the amount required for the service of the present Loan; and*

(b) *During each of said two years, the Republic shall have raised sufficient revenues to meet all of its ordinary general expenses,* exclusive of capital investment, without borrowing therefor or without selling capital assets.

The sums required for the purpose mentioned in (a) above shall be calculated upon the basis of the average rate of exchange at La Paz on New York for dollar sight drafts for the two years immediately preceding, or the current rate at the time, whichever shall be more favorable to the dollar.

A statement in writing addressed to the Bankers, signed by the Minister of Finance of the Republic and countersigned by the Permanent Fiscal Commission hereinafter mentioned shall be exclusive, and the

sole evidence of compliance with the conditions set forth in subdivision (a) and (b) above.

Section 8. *The dividends, funds, revenues, taxes and property hereinbefore mentioned are mortgaged and pledged as security for the entire indebtedness and for all the Bonds secured hereby. The Trustee may, in its discretion, enforce any of its rights, remedies and powers against all such property and revenues simultaneously or against any of them successively, until all of said Bonds shall be paid in full.* No remedy, right or power conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, right or power, but each and every such remedy, right or power shall be cumulative and shall be in addition to every other remedy, right, power or action now or hereafter conferred upon it by law. The delivery of the Bonds shall be conclusive upon the Republic as receipt of value therefor, and the Republic will not plead in any proceeding or action failure of consideration for their issuance and delivery.

ARTICLE FIFTH

Permanent Fiscal Commission.

Section 1. So long as any Bonds remain outstanding, beginning not later than August 1, 1922, *the collection of all taxes, revenues and income of the Nation shall be supervised and fiscalized by the Permanent Fiscal Commission,* the creation of which has been authorized by law No. ..... of March 27, 1922.

The President of the Republic shall appoint the three Commissioners; of these, two to be appointed upon recommendation of the Bankers. At any time, at the request of the Bankers or by agreement between the President and the Bankers, the President will remove either or both of the Commissioners recommended by them, and any vacancy or vacancies thus created or otherwise occurring, shall be filled in the same manner as in the case of the original appointments.

Section 2. *The Permanent Fiscal Commission shall exercise all the other powers conferred upon it by the law of March 27, 1922, and by the Regulation of that law to be issued by the Executive. For that purpose it shall select such assistants and employees as it shall consider necessary, provided that the total annual expense of the Commission, excluding the compensation of the Commissioners, their allowance for living expenses and their traveling expenses, shall not exceed one-half of one per cent (½%) of the amounts collected, or such other reasonable limit as may from time to time be agreed upon by the Minister of Finance and the Bankers. The compensation of the Commissioners and their allowances for living expenses shall be agreed upon between the Republic and the Bankers. The total cost of the Commission shall constitute a part of the service of the loan and shall be included in the amounts to be deposited monthly with the Banco de la Nacion Boliviana as provided in Section 2, Article Sixth of this Contract.*

Section 3. *The Commission shall make its own rules which shall be approved by the President; it shall act by majority vote; and shall elect as its Chairman and Chief Executive one of the two Commissioners who shall have been recommended by the Bankers.*

Section 4. *In addition to its other duties, the Commission shall make a thorough examination of and report upon the finances and resources of the Republic, and the methods of collecting and disposing of the national revenues. Such reports, with the recommendations of the Commission, shall be presented to the President of the Republic and to the Bankers.*

Section 5. So long as any Bonds of this Loan remain outstanding, *the Chairman of the Commission shall be elected a member of the Board of Directors of the Banco de la Nacion Boliviana,* and the Republic shall take such action as may be necessary to secure his election and continuance in office as such.

ARTICLE SIXTH

Deposits of Amounts Required for Service of Loan and Remittances to Trustee.

Section 1. The Republic shall forthwith from the proceeds of sale of the bonds to be issued as hereinafter in Article Eighth, Section 1, paragraph (a) provided, pay to the Trustee the sum of $1,200,000, being 5% of the $24,000,000 of bonds to be presently authenticated and delivered hereunder and accordingly the sum required under Section 2 of Article Third above to be paid to the Trustee in respect to the first semester of the first Bond year.

Section 2. The Republic shall cause the collector or collectors or other officials charged with the collection of the dividends, funds, revenues and taxes given as security hereunder, to deposit the same as and when collected, beginning on September 1, 1922, in a special account with the Banco de la Nacion Boliviana (hereinafter called the "Bank"). The deposit thus constituted shall be for the benefit of holders of bonds and of the Trustee and is hereby agreed upon as the method by which the liens, pledges and charges constituted hereunder shall be made effective. The moneys to be deposited as aforesaid shall be kept separate and apart from all other funds of the Republic and shall be dealt with in the manner hereinafter provided. The deposits referred to shall continue to be made during each month until the sums deposited during such month shall equal one-twelfth of the amount required for the annual service of the Loan, including Trustee's fees but not the Trustee's expenses which shall be paid as provided in Section 2 of Article Ninth: thereafter all further dividends, funds, revenues and taxes collected during such month shall be retained by the Republic, and shall be free from any lien hereunder. If the amounts collected from the pledged revenues and deposited as aforesaid during any month should be less than one-twelfth of the amount required for the annual service of the

Loan, including the Trustee's compensation, the Republic shall, on the last day of such month, provide the deficit out of its general revenues by depositing the same with the Bank in the special account above mentioned.

Section 3. On or before the first day of October 1922, and monthly thereafter, the Bank shall remit to the Trustee in New York the sums deposited with it as aforesaid during the preceding month (excepting the compensation and expenses of the Commissioners referred to in Section 2 of Article Fifth which shall be paid in the manner agreed upon from time to time by the Republic and the Bankers), so that the entire amount required for the semi-annual service of the Loan, including the Trustee's compensation, shall be received by the Trustee in New York not less than one month before the semi-annual interest payment dates. The cost of remittance shall be paid by the Republic.

ARTICLE SEVENTH

Defaults and Remedies.

Section 1. *In case default shall be made in the payment of any sums payable hereunder or default shall be made in the due performance of any of the other covenants of the Republic hereunder, and such last mentioned default shall continue for a period of thirty days after written notice thereof and demand of performance, the Trustee may, and if thereunto requested by the holders of ten per cent.* (10%) *in amount of the Bonds issued and then outstanding, and if indemnified to its satisfaction for its liability, costs and expenses in so doing, shall, proceed to enforce the security hereunder.*

Section 2. *In the event referred to in Section 1 above the Trustee if indemnified as aforesaid shall proceed to sell the shares of stock of the Banco de la Nacion Boliviana pledged hereunder.* Such sale shall be at public auction at such place in the City of New York and at such time and upon such terms as the Trustee may specify. Notice of any such sale shall state the time when and the place where the same is to be held, and shall contain a brief general description of the securities to be sold. It shall be published twice a week for two successive weeks prior to such sale in a daily newspaper published in the City of New York, and a copy of said notice shall, at least two weeks prior to the date of sale, be sent to the Republic as hereinafter provided.

The Trustee shall have power in its discretion to adjourn any such sale from time to time as to the whole or any part of the shares to be sold, and if so adjourned shall have power to make such sale upon the date to which the adjournment is had without further notice of the time or place to which the sale may be so adjourned.

Upon completion of any such sale or sales, the Trustee shall transfer and deliver to the purchaser or purchasers thereof such of the shares of stock as shall have been sold, and the same shall bear upon, be freed and discharged from the pledge and lien hereby created. The Trustee

and its successors are hereby appointed true and lawful attorney or attorneys irrevocable of the Republic, in its name to make, execute and deliver to such purchaser or purchasers such good and sufficient assignments, transfers or other instruments as may be necessary or proper to vest in such purchaser or purchasers full and complete title and ownership of and to the shares of stock so sold.

The receipt of the Trustee for the purchase money shall be sufficient discharge for the purchaser or purchasers of any of said shares for his or their purchase money.

Section 3. *In the event referred to in Section 1 above, the Trustee if indemnified as aforesaid shall proceed in the manner and to the extent provided by the laws of the Republic to foreclose the mortgages referred to in Section 4 of Article Fourth above.* Whenever the Trustee shall institute such foreclosure actions or any other suits or proceedings in any court or before any official of the Republic of Bolivia for the purpose of enforcing any of the rights, remedies or powers conferred upon the Trustee by this Contract, it shall not be obliged to present any of the Bonds issued hereunder, it being hereby agreed that the presentation of this Contract alone shall be sufficient.

For the purposes aforesaid the Trustee shall itself alone be considered the creditor, and the Republic hereby covenants that it will in no case, or upon any pretext whatever, object to the right of the Trustee to appear or to act as such creditor.

Section 4. In case of any sale of shares of stock as provided in Section 2 above, and/or in case of any sale of said railroads, or of either of them, *the Trustee, or any holder of Bonds hereunder, or any other person, may bid for and may purchase the property sold, or any part thereof,* and the purchaser or purchasers shall have the right to make payment of the purchase price by delivery of Bonds and unpaid and unmatured interest coupons, except so far as such purchase price may be required to be paid in cash for the purpose of meeting the costs and expenses of such sale and of the proceedings resulting therein. Such Bonds and coupons shall, except as aforesaid, be received in payment of said purchase price to an amount equal to the sum which would be received in respect thereof upon the distribution of the proceeds of sale. In case the amount so payable shall be less than the amount due thereon, said Bonds and coupons shall be returned after being stamped to show partial payments.

Section 5. The proceeds of any sale made as aforesaid shall be applied by the Trustee as follows:

First: To the payment of the costs and expenses of such sale and of all proceedings resulting therein or connected therewith, including a reasonable compensation to the Trustee, its agents, attorneys and counsel, and all expenses, liabilities and advances made or incurred by the Trustee in the conduct and enforcement of the rights and duties hereby conferred upon it and of the trusts hereby created:

Second: To the payment of the whole amount of principal, premium and interest which shall then be due and unpaid upon Bonds then out-

standing with interest at eight per cent. (8%) per annum on the overdue instalments of interest; and if such proceeds should be insufficient to pay the full amount so due and unpaid, then to the payment thereof ratably without preference of any bond or coupon over any other, and without preference of principal over interest or of interest over principal; and

Third: To the payment of the surplus, if any, to the Republic or to whosoever shall be lawfully entitled to receive the same.

If the proceeds of said sale or sales shall be sufficient to pay both the overdue interest and interest thereon and the principal and premium on all outstanding Bonds, then upon such payment of interest, principal and premium such Bonds shall be cancelled.

If the proceeds of said sale or sales shall be insufficient to meet all of the above payments, then upon partial payment thereof the same shall be noted upon each Bond by the Trustee, and thereafter the principal, premium and interest due and payable on each Bond shall be reduced by the amount of such partial payment and proper notation shall also be made on all unmatured coupons, reducing the amount of interest in proportion to the amount of principal and premium of the Bonds to which such coupons appertain.

Section 6. The Trustee shall give notice in the manner provided in Section 8 of Article Third hereof of its intention to apply the proceeds of such sale or sales to the total or partial payment of the Bonds and of the premium and interest thereon, as the case may be, and shall in said notice fix a date and place for such application of proceeds; such notice having been given, interest on said Bonds shall from and after the date fixed for such application, if a total payment, cease, or, if a partial payment, be calculated only on the reduced principal, anything in the tenor of such coupons to the contrary notwithstanding.

Section 7. In case application as aforesaid of the proceeds of any sale or sales hereunder shall result in a partial payment on account of the principal or of the principal, premium and interest of the Bonds, the Trustee shall be entitled to enforce payment of and to receive all amounts remaining due and unpaid upon any and all of the Bonds outstanding as and when the same mature for the benefit of the holders thereof against any or all of the other revenues given as security by the Republic under the terms of this Contract and to continue to apply such revenues until all of the expenses and compensation of the Trustee and its agents, representatives and counsel, and principal, premium and interest of all such outstanding Bonds shall be fully paid.

ARTICLE EIGHTH

Issue of Bonds.

Section 1. The Republic shall forthwith execute $26,000,000 par value of Bonds and deposit the same with the Trustee to be disposed of as follows:

(a) Upon the written or cabled order of the Minister of Finance of the Republic, *the Trustee shall authenticate and deliver $18,460,000 par value of said Bonds to or upon the order of the Bankers, but only upon the deposit with the Trustee of the sum of $10,600,000 to be disposed of as hereinafter provided.*

(b) Upon the delivery to the Trustee of a certificate of the Guaranty Trust Company of New York certifying that said Guaranty Trust Company of New York has cancelled $4,000,000 par value of "External Bonds of the Republic of Bolivia of 1922" which, prior thereto, were authenticated by it, and also certifying that the aggregate par value of said bonds theretofore authenticated by it and not cancelled does not exceed $3,000,000, and upon the delivery to the Trustee of $3,000,000 par value of "External Bonds of the Republic of Bolivia of 1922," *the Trustee shall authenticate and deliver to or upon the order of the President, Vice-President or Treasurer of the Ulen Contracting Corporation $5,000,000 par value of Bonds of this issue.* Said $3,000,000 of "External Bonds of the Republic of Bolivia of 1922" delivered to the Trustee as aforesaid shall immediately thereafter be presented by the Trustee for cancellation to the Guaranty Trust Company of New York, Trustee of said bonds, and the Republic shall cause the same to be cancelled and physically destroyed.

(c) *The remaining $2,000,000 par value of Bonds shall be held by the Trustee until November 1, 1923, on or after which date they shall be authenticated and delivered to or upon the order of the President, Vice-President or Treasurer of the Ulen Contracting Corporation.*

(d) Immediately upon the execution and delivery of this Contract *the Trustee shall authenticate* $540,000 *par value of said Bonds and deliver the same to or upon the written order of the Bankers.*

Section 2. *The remaining $7,000,000 par value of Bonds shall be executed by the Republic and shall be authenticated and delivered by the Trustee as hereinafter provided:*

(a) *$3,000,000 par value of said Bonds shall be authenticated and delivered to or upon the order of the Minister of Finance of the Republic, but in no event before January 1, 1924, unless the authentication and delivery prior to said date shall be approved in writing or by cable by said Minister and the Bankers,* and only upon the receipt by the Trustee of a certificate of the Minister of Finance, countersigned by the Permanent Fiscal Commission stating

(1) That the revenues from the pledged dividends, taxes and income collected during twelve successive calendar months within the thirteen calendar months immediately preceding the calendar month in which the application for authentication and delivery of Bonds may be made, have equalled a sum at least 1½ times the amount required for the annual service of the loan, including the service of the bonds proposed to be issued; or

(2) If such revenues shall not have equalled said amount, that there have been pledged as further security hereunder such additional taxes or revenues other than present and future taxes upon petroleum and

petroleum claims and concessions as may have been approved by the Bankers to an amount sufficient upon the basis of the collection of such additional taxes or revenues during said twelve months' period, to increase the proceeds of all pledged dividends, taxes and revenues, so that the same shall not be less than 1½ times the amount required for the service of the loan, including the service upon the additional bonds proposed to be issued. The above mentioned certificate shall state that in making the foregoing calculations the average rate of exchange in La Paz on New York for dollar sight drafts for the twelve calendar months covered by said certificate, or the current rate at the date of such certificate (whichever shall be more favorable to the dollar), has been taken as the basis.

The Republic covenants that said Bonds, or the proceeds thereof, shall be used only for the purposes for which $3,000,000 par value of "External Bonds of the Republic of Bolivia of 1922" were reserved under Article Thirty-three of the Contract of July 8, 1921, between the Republic and the Ulen Contracting Corporation, and that if further security be required hereunder for the issue of said Bonds, it will pledge as such further security such additional taxes or revenues other than present and future taxes upon petroleum and petroleum claims and concessions as may be approved by the Bankers to an amount sufficient to meet the foregoing requirements.

(b) *The remaining $4,000,000 par value of Bonds shall be authenticated and delivered to or upon the written or cabled order of the Minister of Finance and of the Republic, provided, however, that $2,000,000 par value of said Bonds shall not be authenticated and delivered until after January 1, 1923, and the remaining $2,000,000 par value not until after January 1, 1924, unless the authentication and delivery prior to said dates shall be approved in writing or by cable by said Minister and the Bankers,* but only upon receipt by the Trustee of a certificate of the Minister of Finance countersigned by the Permanent Fiscal Commission stating that

(1) The Republic for twelve successive calendar months within the thirteen calendar months immediately preceding the calendar month in which the application for authentication and delivery of bonds may be made, has raised sufficient revenues to meet all of its ordinary general expenses, exclusive of capital investments, without borrowing therefor, or without selling capital assets; and

(2) The revenues from the pledged dividends, taxes and income, collected during said twelve months' period, as also the average annual revenues from the same sources, for the five years preceding, have equalled a sum at least one and one-half times the amount required for the annual service of the loan, including the service of the Bonds proposed to be issued.

The above mentioned certificate shall state that in making the foregoing calculations the average rate of exchange in La Paz on New York for dollar sight drafts for the five years immediately preceding such issue, or the current rate at the date of such certificate (which-

ever shall be more favorable to the dollar) has been taken as the basis.

The Republic covenants that all Bonds, or the proceeds of Bonds, authenticated and delivered under Subdivision (b) of this Section 2, will be used for the purpose of completing the Potosi-Sucre Railroad.

Section 3. Whenever from time to time any Bonds shall be authenticated and delivered under Subdivision (c) of Section 1 or under Section 2 of this Article Eighth, the Republic shall pay to the Trustee such portion of 5% of the par value of Bonds so authenticated and delivered as the portion of the current semester then elapsed is to the whole current semester, but in no event shall the sum so paid to the Trustee be less than the amount of the interest payable upon such Bonds upon the next interest payment date. Before authenticating and delivering any Bonds under this Contract, the Trustee shall detach and cancel all matured coupons appertaining thereto.

Section 4. *The $10,600,000 mentioned in Section 1 above shall be disposed of as follows:*

(a) *$200,000 shall be set aside by the Trustee and shall be by it applied as directed by the Minister of Finance of the Republic to the purchase and / or redemption of £40,200 par value of Bonds of the Republic issued under contract dated December 30, 1908, between the Republic and Messrs. J. P. Morgan & Company of New York, which the Republic represents constitute the balance of the bonds of said issue outstanding.* Any balance of this sum which may not be required for the purposes stated shall, after all of said Bonds shall have been purchased or redeemed as aforesaid, be disposed of as the Minister of Finance of the Republic may direct and shall be subject to his written or cabled order. As soon as all of said Bonds shall have been acquired as aforesaid, the Trustee shall present the same, together with the £284,600 of similar Bonds to be delivered to the Trustee coincidentally with the authentication and delivery of the Bonds mentioned in Section 1 subdivision (a) above, to Messrs. J. P. Morgan & Company, and the Republic shall thereupon cause the same to be cancelled and physically destroyed.

(b) *The Trustee shall set aside the sum of $6,500,000 as a special fund for the purpose of enabling the Republic to acquire all its outstanding Import Customs Notes of 1915, Export Customs Notes of 1920 and Customs Notes of 1921 which the Republic represents aggregate an amount not exceeding Bs 19,485,475 all of which the Republic represents are redeemable at par.* Immediately following the execution of this Contract, the Republic shall cease to accept any of said notes in payment of Export or Import Customs duties and shall immediately proceed through the Banco de la Nacion Boliviana, to retire the same from circulation either by purchase or redemption. As and when so purchased or redeemed the Banco de la Nacion Boliviana shall draw upon the Trustee against the special fund above mentioned for the amounts expended in said purchases and redemptions, and exclusive of interest upon said notes, not, however, exceeding the face value of the notes so acquired. Each of said drafts shall have annexed thereto

a certificate of the Banco de la Nacion Boliviana stating, (1) that it has cancelled and physically destroyed notes of a specified aggregate face value in respect of which such draft has been drawn, setting forth the name of the issue and the denominations and numbers of the respective notes; (2) the amount in Bolivianos expended in the purchase or redemption of such notes, and (3) the dollar equivalent of Bolivianos based upon the rate of exchange in La Paz for dollar sight drafts on New York on the date borne by such draft, and each draft shall also be accompanied by a certificate signed by the Minister of Finance of the Republic stating that the notes referred to in said certificate of the Banco de la Nacion Boliviana were outstanding at the date of this contract and are notes described in subdivision (b) of this Section. No draft against said fund shall be paid by the Trustee unless accompanied by such certificates. Said drafts shall be drawn at the rate of exchange current at the time at La Paz on New York for dollar sight drafts as set forth in said certificate, but in no event at a rate which shall represent the Boliviano as worth more than 33⅓ cents United States gold. In case at the time of such drawing the Boliviano should be worth more than said 33⅓ cents the Republic shall provide the difference out of its general funds. When all outstanding notes shall thus have been acquired and cancelled, the Minister of Finance of the Republic shall so certify to the Trustee, and thereupon any balance of said special fund which may remain shall be disposed of as the Minister of Finance of the Republic shall direct and shall be subject to his written or cabled order.

(c) *The sum of $3,000,000 shall be set aside by the Trustee as a special fund to be applied by the Republic to the payment of time obligations owing by the Republic to local banks in La Paz which, the Republic represents, aggregate an amount not exceeding Bs. 11,600,000 and are secured by certificates representing the Republic's shares of stock in the Banco de la Nacion Boliviana.* The Minister of Finance of the Republic may draw a draft or drafts upon the Trustee against said fund upon the condition and understanding, however, that such draft or drafts shall be honored by the Trustee only upon the compliance by the Republic with the following terms and conditions, viz:

(1) That prior to or simultaneously with the honoring of any such drafts there be deposited with The Equitable Trust Company of New York at its Paris office and/or at its principal office in New York the shares of stock of the Banco de la Nacion Boliviana mentioned in subdivision (a) section 2 of Article Fourth above, and

(2) That prior to or simultaneously with the honoring of any such drafts, there be delivered to the Trustee at its office in New York the certificate stated to be now in the possession of local banks in La Paz representing the above mentioned shares, together with a written statement of the Minister of Finance stating (a) the number of shares of the Banco de la Nacion Boliviana belonging to the Republic, (b) that the certificate so delivered to the Trustee is the certificate deliverable to the Trustee under this Clause (2), and (c) that said certificate, together

with the shares which have been delivered to the Trustee pursuant to the preceding Clause (1), constitute full and complete title to all of the shares of said bank belonging to the Republic and that there are no other certificates or instruments outstanding which represent or purport to represent said shares or any lien thereon or any interest therein. Said statement of the Minister of Finance shall be conclusive evidence of the statements therein contained and shall serve as full protection to the Trustee for action in accordance therewith.

The drawing of draft as aforesaid by the Minister of Finance against said special fund shall be sufficient evidence to the Trustee of the application of the said fund to the extent of such drafts to the payment of the above mentioned obligations, and the Trustee shall be protected in honoring such drafts provided the above mentioned conditions with reference to the delivery of the shares of Banco de la Nacion Boliviana and the certificate representing the same shall have been complied with.

Any balance of said special fund which may remain after all drafts drawn as aforesaid shall have been paid, shall be disposed of as the Minister of Finance may direct and shall be subject to his written or cabled order.

ARTICLE NINTH

Regarding the Trustee.

Section 1. The Trustee shall allow interest to the Republic upon all moneys deposited with it except moneys held by the Trustee to pay bonds and/or coupons due but not presented at the rate of..... per cent. below the New York Federal Reserve rediscount rate prevailing from time to time from ninety days' prime paper, but in no case at a rate less than.....per annum.

Section 2. The Republic shall pay to the Trustee a commission of .....per cent. on all amounts disbursed in the payment of principal, premium and interest of the loan, as the reasonable and customary compensation of the Trustee for all services rendered by it under this Contract except as herein otherwise provided.

On November 1st, 1922, the Republic shall pay to the Trustee on the latter's written request the commission and compensation above mentioned covering the period from the date of this contract to November 1, 1922, and the expenses which the Trustee may have incurred in good faith during the same period in the service of the loan or in the performance of any duty imposed upon it under this Contract. On the same date, November 1, 1922, and semi-annually thereafter during the life of this Contract, on May first and November first of each year, the Republic shall deposit with the Trustee such amount as the Trustee shall estimate may be required by it to meet all expenses reasonably incident to the service of the loan during the six months next succeeding and at the termination of each semester the account for the six months immediately preceding shall be adjusted.

Section 3. The Equitable Trust Company of New York is hereby appointed general representative of the Bondholders, that is to say, Trustee, to deal with the Republic and to exercise all other powers herein set forth, and the Republic recognizes and accepts such appointment. As such general representative and Trustee for the Bondholders, The Equitable Trust Company of New York shall have ample power to appoint agents to represent it in everything relating to said Bonds. During the life of the Bonds, the Republic shall always recognize in the United States of America such representative and Trustee, and every successor of The Equitable Trust Company of New York shall always be a trust company designated by the Bankers and appointed by the Republic, carrying on business in the City of New York, and having a capital and surplus aggregating at least $2,000,000. Any successor shall execute an instrument accepting its appointment, and thereupon, without any further act or deed, shall become vested with all the rights and duties of its predecessor hereunder. The retiring Trustee shall execute and deliver all instruments in writing necessary for confirming said successor Trustee in all the rights, powers and duties to which it succeeds.

Section 4. The Trustee in the execution of the Trust and duties hereunder shall be under full legal liability, except as in this Contract provided. It may, instead of acting personally, employ and appoint such agents or attorneys as it may deem desirable whose reasonable fees and expenses shall be a charge prior to that of the Bondholders upon any funds coming into the hands of the Trustee hereunder.

In taking or omitting any action hereunder, the Trustee may rely upon the correctness of any statements of fact contained in any certificate signed by the Minister of Finance of the Republic and countersigned by the Permanent Fiscal Commission.

Section 5. The Trustee shall not be answerable to the holders of Bonds and coupons for the default or misconduct of any agent, attorney, bank, or banker appointed or selected by it in pursuance hereof, if such agent, attorney, bank or bankers shall have been selected with reasonable care, or for anything whatever in connection with this Trust, except for its own wilful misconduct.

Section 6. The Trustee may at any time take such steps as it may deem proper for the enforcement of the rights of the Bondholders hereunder, and for that purpose shall be deemed and treated by the Republic as the general representative and attorney in fact irrevocable of the Bondholders, duly appointed and authorized to act as such by the terms of this Contract; and in the execution of its trust and duties hereunder shall be entitled to exercise for all Bondholders all the rights and remedies afforded by the Laws of the Republic of Bolivia, in favor of such Bondholders.

Section 7. The Trustee shall have in addition to other rights, powers and duties conferred by law and by this Contract, the following:

(1) It shall receive all sums paid to it in accordance with this Contract, and shall use and apply such moneys as herein provided.

(2) It may, subject to the terms of this Contract, act in accordance with the written or cabled orders of the Minister of Finance of the Republic, and such orders shall be full protection to the Trustee for action in accordance therewith.

(3) The Trustee shall keep in the City of New York accounts of receipts and disbursements in connection with the Loan, and statements of such accounts shall be rendered to the Minister of Finance of the Republic at the expiration of each Bond year, and at such other times as the Minister of Finance may request.

(4) The statements of account rendered by the Trustee shall be conclusive upon the Republic, save as specific objections in writing thereto may be received by the Trustee from the Minister of Finance of the Republic within three (3) months after delivery of such statements of account to the Minister of Finance.

(5) The Trustee shall be chargeable for only such moneys as may be actually received by it in New York. It shall not be chargeable for any moneys deposited with the Banco de la Nacion Boliviana, as provided in Article Sixth of this Contract, nor for the remittance of such moneys to New York.

(6) The Trustee shall be under no obligation or liability with respect to the application of the proceeds of this Loan, except as to such payments as by the terms of this Contract shall be made by it directly.

(7) The Trustee may purchase or otherwise acquire and hold any of the said Bonds, with the same rights as if it were not the Trustee hereunder.

Section 8. The Trustee may withdraw and resign by giving notice to the Republic of such intention, specifying the date when it is desired that such withdrawal shall take effect, which shall not be less than four (4) months after notice to such Republic shall have been given, unless a shorter notice shall be accepted by the Republic. In case the Trustee shall resign or shall for any cause become incapable of acting, a successor or successors to the Trustee shall be appointed by the Republic, by a duly executed instrument in writing.

Section 9. The Trustee shall not be chargeable or liable or responsible to holders of Bonds and coupons for acts or defaults of the Republic or of any of its officers or representatives, or for acts or failure to act as such Trustee, or for any error of judgment or mistake made by it in good faith, or for the acts or defaults of any agent or agents selected by it with due care, or otherwise, except for its own wilful misconduct. It shall be protected in acting upon any notice, request, consent, certificate, bond, note, cablegram, or other paper or document believed by it to be genuine and to be signed or sent by the person or persons purporting to sign or send the same. It may advise with legal counsel (whose reasonable fees and expenses shall be a charge prior to that of the Bondholders upon any funds coming into the hands of the Trustee hereunder), and shall incur no liability for any action taken or suffered by it in accordance with the opinion of such counsel. It shall incur no liability in respect of the validity of this Contract or of any of the

Bonds or coupons, or of the statements herein or therein contained, or in respect of the shares of stock pledged hereunder or any other security for said Bonds. It shall not be required to take any action unless indemnified to its satisfaction, and it shall be protected in any action by it at the request of the holders of 10% in amount of the Bonds outstanding.

Any request or other instrument required by this Contract to be signed and executed by Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent or agents duly appointed in writing. Proof of the execution of any such request or other instrument or of a writing appointing any such agent and of the holding by any person of Bonds transferable by delivery shall be sufficient for any purpose of this Contract and shall be conclusive in favor of the Trustee or of the Republic, if made in the manner provided in this Article. The fact and date of the execution by any person of any such request or other instrument of writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the persons signing such request or other instrument acknowledged to him the execution thereof. The amount of Bonds transferable by delivery held by any person executing any such request or other instrument as a Bondholder, and the distinguishing numbers of the Bonds held by such person, and the date of his holding the same, may be proved by a certificate executed by any trust company, bank, bankers, or other depositary (wherever situated), if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such depositary, or exhibited to it, the Bonds therein described; or such facts may be proved by the certificate or affidavit of the person executing such request or other instrument as a Bondholder, if such certificate or affidavit shall be deemed by the Trustee to be satisfactory. The fact and date of execution of any request or other instrument and the amount and numbers of Bonds held by the person so executing such request or other instrument may also be proved in any other manner which the Trustee may deem sufficient. The ownership of coupon Bonds registered as to principal shall be proved by the registers of such Bonds. Any request or consent of the owner of any Bonds shall bind all future owners of the same Bond and all Bonds issued in exchange therefor or in place thereof, in respect of anything done by the Trustee in pursuance of such request or consent.

Section 10. At any time or times in order to facilitate the execution and performance of any of the trusts or powers created by this Contract or to conform to any legal requirement, the Trustee and the Republic shall have power to appoint and to unite in the execution and delivery of all instruments and the performance of all acts necessary or proper to appoint another trust company or one or more persons designated by the Republic and approved by the Trustee, either to act as co-trustee or co-trustees jointly with the Trustee, or to act as separate trustee or

trustees in respect of any matter herein provided for, and in any case with all such of the powers, rights and duties hereby conferred or imposed upon the Trustee, and for such term, if any limitation is placed thereon, as may be specified in the instrument of appointment, the same to be exercised either jointly with the Trustee or separately, according as such instrument or instruments may prescribe; and if the Republic shall be in default hereunder and such default shall not have been remedied, the Trustee shall have power, with the approval of the Bankers, without notice to or any action on the part of the Republic, and without the necessity of the execution of any such instrument of appointment by the Republic, to appoint such co-trustee or co-trustees or separate trustee or trustees as aforesaid, and to execute all instruments and to perform all acts necessary or proper for such purpose. The Trustee may receive the opinion of any counsel approved by it as to the necessity or propriety of appointing any such co-trustee or separate trustee and as to the force and effect of any such instrument to be executed or any act to be taken to effect such appointment, and as to any other matter arising under this Section 10, and such opinion shall be full protection to the Trustee for any action taken or omitted to be taken by it pursuant thereto.

Section 11. The Equitable Trust Company of New York hereby accepts this appointment as Trustee, as also the liens and other securities above mentioned.

ARTICLE TENTH

Notices.

Any statement, notices, request or other communication under this Contract from the Trustee to the Republic shall be in writing addressed to "El Ministro de Hacienda de Bolivia," and shall be deemed to have been duly made or given if delivered at the Legation of the Republic in the City of Washington, or at the Consulate General of the Republic at the City of New York. Service of such notice or other communication shall also be deemed complete as of the date of such delivery. Any notice or other communication from the Republic to the Trustee shall also be in writing and may be given directly or through the Bolivian Legation at Washington, or the Bolivian Consul General at New York, and shall be sufficiently given if addressed to said Trustee and delivered at its office in the City of New York, and Trustee shall be protected in relying upon any notice or communication purporting to have been sent from the Bolivian Legation or said Consul General.

Any notice to the Bankers shall be given in writing addressed to Stifel-Nicolaus Investment Company, Spencer Trask & Company, and The Equitable Trust Company of New York, and delivered at their offices or at the offices of the two last mentioned in the City of New York.

ARTICLE ELEVENTH

General Provisions.

Section 1. The provisions of this Contract shall apply to and in respect of the firm of Spencer Trask & Company, one of the Bankers herein mentioned, as such firm shall from time to time be constituted, without reference to any change of membership, as well as the successors in business of said firm.

Section 2. In all matters in which the Bankers shall be called upon to act, the concurrent action of any two of them shall be sufficient, and shall be binding upon all three.

IN WITNESS WHEREOF, the Republic has caused this Contract to be subscribed on its behalf by Senor Don Carlos Gumucio, Consul General of the Republic in New York, thereunto duly authorized; and The Equitable Trust Company of New York has caused this Contract to be subscribed in its name by one of its Vice-Presidents, and its Corporate Seal to be hereunto affixed and attested.

This Contract is executed in several counterparts.

REPUBLIC OF BOLIVIA
By C. Gumucio
Consul General of the Republic of Bolivia.

In the presence of
HUGO KOHLMANN
LAWRENCE BENNETT

THE EQUITABLE TRUST
COMPANY OF NEW YORK.

By Samuel Armstrong
Vice-President.

(Corporate Seal)

Attest:
O. P. FARWELL, JR.
Assistant Secretary.

In the Presence of:
GERALD D. EGGLESTON
FREDERIC J. ALBERT

Note: The texts of the two preliminary contracts are taken from the report to the Bolivian Minister of Finance before cited. The actual loan contract printed above is an exact transcript of one of the printed copies given out by the Equitable Trust Co. of New York. Appended to the contract as Schedules A, B, C, and D are tables of statistical information in regard to the Republic's revenues, transcripts of the bond face and bond coupon, and the form of Trustee's certification. The deposition of the Notary Public is also included in the contract as printed.

5.

J. P. MORGAN & CO. LOAN TO CUBA 1923

(a) This loan belongs in the class of those secured by previous option. In 1922, a short-term note issue for $5 million carrying an option for a later and larger loan was contracted between the President of the Republic and J. P. Morgan & Co. This is the fifth external loan in the history of Cuba, all of whose external loans are held in this country, and it is printed here alone because the others do not differ essentially from the first Cuban issue through Speyer & Co., printed at the beginning of this section.

The contract for the Morgan loan to Cuba of 1923, contrasted with the earlier contract, will indicate the general development of Caribbean credit operations. This later issue of bonds was virtually contracted by Major General Enoch Crowder, U. S. A., who was present in Cuba during and after the financial crisis in its affairs chiefly brought about by the world sugar situation. He occupied the position there of "Personal Representative of the President of the United States." The indenture differs materially from the earlier contract in the following respects:

(a) The jurisdiction of the United States over Cuban financial affairs, a supervision based upon an interpretation of the Permanent Treaty between both countries, generally known as the Platt Amendment, is recognized in the preamble of the contract;

(b) The approval of the United States is quoted as a virtual guarantee of the loan; before the United States gave its approval to the loan it demanded several reforms in the Cuban budget, and partial reorganization of the government, including the formation of a new Cabinet and several legislative reforms;

(c) The loan constitutes a lien on all national revenues; and

(d) bears interest at a higher rate than do any of the previous loans in the history of Cuba.

The law of October 9, 1922, authorizing the loan, is briefly as follows:

The President is authorized to contract the loan, fix the rate of

interest on the bonds, fix the terms of the bonds in accordance with the legal and other requirements, and settle all details of the issue and service of these bonds. The product of the bonds of this loan is to be used exclusively for the following purposes:

Up to $9 million to replace the fund for special accounts of the National Treasury; also a sum sufficient to liquidate the $5 million loan contracted by the Cuban Government with the firm of J. P. Morgan & Co. on January 23, 1922; a sum to cover $4,097,400 "Series A" Treasury bonds and $25,700 "Series B" bonds, both of the 1917 issue; a sum up to $7 million for the payment of wages, salaries, and credits owed by the state; a sum up to $18 million to cover the obligations of the Department of Public Works; a sum up to $3 million to pay the interest and amortization of internal debt bonds; a sum up to $6 million for the construction, repairs, and continuation of necessary public works; and a sum up to $2 million for the payment of pensions.

The following is the text of a "memorandum" from General Crowder to the President of Cuba, on the projected $50 million loan. This is the twelfth of these "memoranda" in a series that reached thirteen or fourteen in number, and concerned a wide variety of intimate reforms that Crowder considered necessary in the Cuban government before he would recommend to the United States that it approve *any* solution of the ensuing financial crisis. Several of these "memoranda" dealt with what form this solution was to take, and General Crowder forcefully and with finality recommended his idea of an external bond issue to be financed by a 1 per cent Gross Sales Tax, as opposed to all internal loan plans. In legislative interviews, printed in the Havana newspapers of this period, as well, he put forward his recommendations in such a manner that they partook of the nature of commands, and the Cuban Government was obliged, in order to stabilize its finances, to accede to the recommendations that he would alone approve.

The following "memorandum" requests reforms and changes in intimate details of the Cuban Government, previous to the approval of a loan which the United States believed itself entitled to bestow or withold.

Habana,
Memorandum No. 12

Dr. Alfredo Zayas, President of the Republic of Cuba.

SUBJECT: CONDITIONS PREVIOUS TO THE APPROVAL OF A LOAN.

1. Your interesting manifestations during our interview yesterday morning in respect to your conference with the Parliamentary Committees with regard to ways and means of liquidating the floating debt of the Republic, seem to make it fitting that I now indicate as far as it may be possible for me to do so, the conditions previous to the approval by the United States of a new external loan. Permit me, your Excellency, to repeat to you my declaration of yesterday morning that I have no definite instructions from my Government, on which may be based preliminary conditions,, and consequently, what I indicate here is subject to revision by my Government.

2. In determining what those previous conditions should be, I believe that we must take into consideration the facts of which both governments are fully aware:

(a) The default during the last fiscal year of the service of the Bonds of the External Debt, whose back payments were finally paid not with the ordinary revenues as required by the Permanent Treaty and the Cuban Constitution, but by means of a new loan.

(b) The present default of the service of the External Loan of 1917, this default amounting now, according to reports, to approximately three millions; and

(c) The floating debt (unsatisfied current obligations) qualified by both Secretaries, Gelabert and Despaigne, as amazingly large, and according to the latest figures, its amount nearly approaching that of the total annual revenues by all accounts. The financial crisis through which the Cuban Government is passing is accompanied by dangers by no means ordinary and without precedent for the Republic, and measures that are also by no means ordinary and without precedent must be adopted if the public credit is to be restore to a degree competent to assure the additional loan.

3. But the first consideration that must be taken into account in determining these previous conditions to the approval of a new loan is that said conditions must be of such a nature that it shall be reasonably certain that the Government of the United States shall never have to take steps, authorized by the Permanent Treaty and by the Cuban constitution, to assure the immediate payment of interest and amortization either of the new loan or of those already existing. It is obvious that the adequate security by which the Government of the United States shall be saved from the disagreeable duty imposed by the Treaty and the Constitution shall depend on the measures that may be adopted by both branches, legislative and executive, of the Cuban Government. Some of these measures will be enumerated in the paragraphs following, 4 and 5 of this memorandum, but they are subject to revision or the

inclusion of others after an exchange of impressions with my government.

LEGISLATIVE ACTION NECESSARY

4. Among the necessary measures that it is incumbent upon Congress to adopt, are included:

A.—A loan law authorizing the Executive to contract a loan, strictly limiting the ends to which the loan may be applied:

B.—The permanent revenues necessary for the payment of interest and amortization of the new loan; and

C.—A law suspending certain provisions of the Civil Service Law relative to the maintenance of employees, to permit the carrying out of reforms by the Executive, dealt with in the following section together with the correlative provisions of the Electoral Code.

I am fully convinced by correspondence with my Government that it may be disposed to insist that the definite payments of any loan authorized shall be delayed until the Congress of Cuba has approved the legislation necessary to regulate banking and other credit affairs, and also an amendment to the Constitution that permits the reorganization of Municipal Governments in the interest of greatest efficiency and economy; but I do not insist upon this, for the moment.

The action specified under inserts A and B above, is in conformance with the third paragraph of Article 59, a constitutional prerogative of Congress, and shall have to follow its corresponding course if it is decided to make a new loan as a fitting procedure for the liquidation of the floating debt. Of very great importance is the action specified in insert C, and it is absolutely necessary if the executive reform indicated below, is to be carried out.

EXECUTIVE ACTION NECESSARY

5. I believe it very probable that my Government will insist with great firmness that the economies established in the new budget shall be actually carried into effect; and with the same great firmness will insist on the effective realization of the reforms indicated to Your Excellency in my Memorandum number 8 presented May 5, 1922. As I have said in the preceding paragraph, the rapid approval by Congress of a law suspending the provisions of the Civil Service Law with respect to the irremovability of employees and of the correlative provisions of the Electoral Code is an indispensable prerequisite to effecting many of the reforms specified in the memorandum mentioned, particularly those concerning pensions and appointments of men competent to collaborate in this great work (see the end of said Memorandum number 8, pages 15, 16, and 17).

There have been persistent accusations of the perpetuation of extensive frauds in the collection of customs and internal revenues, and in the use of the receipts according to false accounting, in consequence of

which a large percentage of the legal revenues are lost to the Treasury. If these accusations are true, it is impossible to say to what extent the Treasury is being defrauded. I believe that my Government will insist on a severe investigation of this service to determine the truth or falsity of such accusations, and on what must necessarily follow, the taking of legal steps against employees, when a suspicion of fraud or other corruption appears to exist, as a previous condition to the approval of a new loan.

Accusations persist that subaltern judicial employees, including the Secretaries of the Tribunals, are guilty of corrupt procedure in fulfilling their charges. Recently, the Vice-President of the Republic, in public declarations has given voice to these accusations, and up to the present no one has come to a defense of the judicial body from such censure. To discover these unrefuted charges a rigid investigation that is followed by means of the proper procedure in the Tribunals, wherever a suspicion appears through such an investigation, is necessary. In considering necessary reforms in the judiciary, it is also pertinent to remark upon the apparent lack of diligence of this branch in bringing promptly to justice persons accused of criminal acts in the administration of banks at present in process of liquidation, and public officials accused of fraud and corruption in their offices. My Government can conceive of no reason to justify the delay in bringing to a prompt conclusion proceedings long pending in the courts against officials of the Council of Havana indicted for fraud and other breaches of their trusts. Nor does it understand the lack of effort in obtaining the extradition of the persons alluded to, that is of those accused of criminal acts in the administration of banks today in liquidation. It should be unnecessary to make a reform in judicial points with reference to this matter as a precedent condition to the approval of a new loan, if Your Excellency has success in the plan we discussed yesterday of making use of the active and zealous cooperation of the Secretary of Justice and of the prosecuting attorney of the Supreme Court to denounce before the courts the delinquent officials.

It is not necessary that I should call your Excellency's attention to a fact brought forth by our mutual examination of antecedents, that the introduction to the law relative to competition in public sale to enter into contracts has been more often honored in the breach than in the observance, with the result that the National Treasury is burdened with a charge which should be promptly revealed. It seems to me that it is indispensable that your Excellency order each member of the Cabinet to prepare a list of all oral or written contracts for the fiscal year, fixing total prices and disposing the nulling of all contracts entered into in violation of the law as well as contracts in which the prices are excessively high, or their revision or amendment with the consent of the contractor. I have no doubt that from these proceedings a notable annual saving would result for the National Treasury. Rapid and effective action in carrying out this or another plan will avoid the necessity of

considering whether it should be included by my Government as one of the previous conditions for the approval of the new loan.

Yours truly,
E. H. Crowder

Editor's Note: The above is a *re*translation from the Spanish.

(b) Republic of Cuba

External Loan Thirty Year Sinking Fund 5½% Gold Bonds
Loan Contract

(English text interpreting the Notarial Deed in Spanish executed January 26, 1923, at Havana, Cuba.)

The Honorable Alfredo Zayas, President of the Republic of Cuba:
and

J. P. Morgan & Co. — Kuhn, Loeb & Co.
Guaranty Co. of N. Y. — Bankers Trust Co.
Harris, Forbes & Co. — J. & W. Seligman & Co.
The National City Co.
Dillon, Read & Co.

hereinafter collectively designated as the "Bankers" and acting by Messrs. J. P. Morgan & Company, a copartnership of the city of New York, Mr. Elliot C. Bacon, one of the members of said copartnership, subscribing this contract in their behalf and as their act for account of the Bankers;

Appear before the Notary Public.

And the Honorable Alfredo Zayas states:

That the Congress of the Republic enacted, and deponent sanctioned, the law which was published in the Gaceta Oficial of the 9th day of October, 1922, and of particular and pertinent provisions of which a copy marked Schedule A is annexed to this deed or contract;

That the ordinary revenues of the Republic after defraying the current expenses of the Government, are more than adequate to pay the interest upon, and to make the reasonable sinking fund provision for the ultimate discharge of, the public debt which is the subject of this deed, all *within the meaning and purpose of Article II of the Permanent Treaty between the Republic and the United States of America, and the Government of the United States of America, being advised in the premises, has formally acquiesced in the creation of such public debt;*

That by announcement of the Government published in the Gaceta of December 19, 1922, proposals for the purchase of bonds of the Republic to be issued to evidence the said loan, were invited; and the proposals having been examined, the deponent has determined to accept, as being the most advantageous to the Republic, the proposal submitted on behalf of the Bankers by Messrs. J. P. Morgan & Company;

That the deponent, as President of the Republic, to whom was committed authority to do so, has agreed with J. P. Morgan & Company

upon an instrument in the form of this deed, to evidence the contract between the Republic and the Bankers herein represented by J. P. Morgan & Company and to set forth certain obligations and duties of the parties, and it is now in order to execute this deed pursuant to Presidential Decree of the 13th instant, which was published in the Gaceta Oficial of the 15th instant;

That the said J. P. Morgan & Company are in this contract appointed the Fiscal Agents of the Republic for the service of the loan;

NOW THEREFORE, deponent, as President of the Republic of Cuba, and in exercise of the authority given to him by the law of October 9, 1922, enacted by the Congress, and sanctioned by the National Executive, hereinabove set forth, executes his deed of bond issue in the following terms:

1. The Republic of Cuba issues fifty million dollars in bonds of an external loan, which it will pay in gold coin of the United States of America, as in such bonds covenanted. The said bonds shall be known as "Republic of Cuba" External Loan Thirty-Year Sinking Fund Five and One-half Per Cent. Gold Bonds, B and in referring to the same hereinafter such bonds shall be called "the bonds."

2. The bonds shall bear interest, until maturity or earlier redemption, at the rate of five and one-half per centum per annum, from the fifteenth day of January of the year 1923, payable semi-annually on the fifteenth day of January and the fifteenth day of July in each year. For the collection of such interest, the bonds will carry attached coupons.

3. The bonds shall be issuable as coupon bonds in the denominations of $1,000, of $500 and of $100.

Upon presentation for such purpose to the Fiscal Agents of the Republic, at their offices in the city of New York, and upon compliance with such regulations as may be customary in said City and as the Fiscal Agent may prescribe, any of the bonds that shall not have been drawn for redemption may be registered in the name of the owner as to the principal sum thereof, which registration shall be noted on the bond; and thereafter the principal sum of said bond shall be payable to such registered owner or his duly registered assigns. Upon presentation for the purpose to the said Fiscal Agents in New York, any such registered bond may be transferred by the registered owner in person or by attorney duly authorized, into the name of the assignee specified in a proper instrument of transfer, and such transfer shall be noted on the bond. Any bond so registered in the name of a holder may be transferred to bearer, which transfer may be noted on the bond, and thereafter such bond shall again become transferable by delivery merely. From time to time, successive registrations and transfers to bearer may be made as before, until the bond shall have been called for redemption. No such registration, however, shall restrain the negotiability of the coupons, which shall continue to be payable to bearer and be transferable by delivery until the bond is amortized.

In case of theft, robbery, loss or destruction of any bond or coupon, the provisions of the laws of the Republic of Cuba for the protection of

the injured party will be observed, and duplicates of those titles may be issued in the form determined by those laws, obtaining in favor of the Government the proper guaranty. After such duplicate titles are issued in place of those missing by reason of the causes aforesaid, the said Fiscal Agents shall certify those duplicates at the request of the Government, and said Fiscal Agents shall be free from all liability concerning the original titles which shall have been replaced by others as above provided.

4. Both the principal and interest of the bonds, and all other sums hereunder payable by the Republic, will be paid at the office of the Fiscal Agents in the City of New York in gold coin of the United States of America of the present standard of weight and fineness.

5. All bonds shall bear as the date of issue the fifteenth day of January, 1923 and shall be substantially in the form hereto annexed for $1000 bonds, with appropriate changes in the provisional bonds and for the definitive bonds of other denominations, and all definitive bonds shall bear in facsimile the signature of the Secretary of France and of the Treasurer-General of the Republic, and in autograph the signature of the Assistant Secretary of Finance in office at the time of delivery of each bond. Bonds may be issued which bear any such signature in facsimile even though at the time of delivery of any of the bonds the person whose signature thereon is imprinted shall have ceased to hold office.

6. The coupons shall conform substantially to the model annexed to the form of $1000 bonds, with appropriate changes in the coupons of bonds of other denominations, and shall bear the signature in facsimile of the present Secretary of Finance, or of any other person who in the future shall occupy that office.

7. The text of the bonds shall be engraved in the Spanish and English languages, and the coupons in the English language only, in a manner conforming to the requirements of the New York Stock Exchange for quotation; but until such time as the definitive bonds are ready, which shall not be later than the fifteenth day of July of the present year, provisional bonds in Spanish and English shall be issued either printed or lithographed, in such denominations as the Bankers shall desire, in multiples of one thousand dollars, which provisional bonds will be of the same force and effect as the final bonds until exchanged for the latter, which temporary bonds may have a coupon for the interest payable July 15, 1923, but will not carry any other coupons attached thereto. The Government will deliver definitive bonds in exchange for provisional bonds without charge or expense.

8. Neither the provisional nor the definitive bonds shall be held valid or binding unless the certificate, provided to be endorsed thereon shall have been signed by the Fiscal Agents in New York. The said Fiscal Agents with due diligence shall certify the bonds as delivered to them.

9. The Republic of Cuba pledges its good faith and its credit for the due and punctual payment of the principal of the bonds, and accordingly of the sums herein below in this contract provided to be paid for

amortization, and for the due and punctual payment of the interest on the bonds; *and as a special guaranty and security for such payments, does hereby create a lien and charge specially and expressly on the following revenues of the Government, subjected to existing charges on such of said revenues as now have charges thereon, respectively, but prior to any future charges or liens:*

(a) *The tax established on Banks and Corporations.*

(b) *The surplus of the imposts created in 1904 to guarantee the loan of $35,000,000 contracted with Speyer & Co.*

(c) *Ten per cent (10%) of the amount in excess of $60,000,000 of the revenues of the annual budget;* it being understood that this amount is applicable only to the additional sinking fund hereinbelow in this contract referred to.

(d) *Subsidiarily the other revenues of the National Budget excepting those under special lien to other credit operations,* so that in case the excess of taxes referred to in the foregoing paragraphs (a) and (b) shall not be sufficient to cover amortization and the interest on the bonds, all other receipts of the National Budget, after deducting the amounts needed for the service of the loans of 1904, 1909, 1914 and 1917, shall be applied to such amortization and interest on the bonds; such revenues to include the receipts of the customs and fiscal zones in general subject only to the existing liens or charges on such receipts of the customs and fiscal zones for the benefit of the bonds outstanding under the external loans of 1904, 1909 and 1914.

10. As expressly authorized by the aforesaid Act of Congress, the Republic covenants with the Bankers, for their benefit and for the benefit of the holders from time to time of the bonds of the Loan, as follows:

(a) That the Republic will particularly see that the audit of the national accounts is always up to date.

(b) That the Republic shall apply, commencing with the present fiscal year, all surplus revenues, after the respective budgets have been liquidated, and after meeting all the expenses of the year or leaving in the Treasury a reasonable balance for the same purpose, to the amortization of its present debts, provided that the stipulations of the respective contracts so permit, and said surpluses shall be specially applied, in the first place, to the amortization of the six percent bonds of the 1917 Internal Debt; in the second place, to the more rapid retirement of the Internal Debt of 1905, redeemable in the amounts ordered by Congress; and finally to the more rapid amortization or purchase and retirement of bonds of the several outstanding External Issues, which the President of the Republic in his judgment, after first hearing the opinion of his Cabinet, shall deem proper to amortize or purchase and retire, exclusively for the purpose of cancelling the same, but in all cases reporting his action to Congress.

11. The bonds are to be non-callable, except under the provisions and by operation of the sinking fund, for the first twenty years of their term; but afterwards the bonds outstanding as an entirety may be called for payment and be paid at the par or nominal value—that is to say,

at the principal sum plus accrued interest to the date of such payment. Such call will be effected by notice thereof published thirty days in advance in the Gaceta Oficial and in one or more Cuban newspapers designated by the Government, and also once a week for four consecutive weeks (the first publication to be at least thirty days prior to the date fixed for redemption) in two daily newspapers of general circulation in the City of New York, designated by the Fiscal Agents. The form of the notice to be published in the City of New York shall be in the form customary for such notices as determined by the Fiscal Agents.

Any and all bonds so redeemed shall be immediately cancelled by the Fiscal Agents and be delivered to the Government.

12. *The bonds are to be amortized by the following sinking fund provisions:*

By a fixed sinking fund of $500,000 for the first year, the annual payment increasing by $50,000 for each year thereafter up to and including the eleventh year, the annual payment in the eleventh year to amount to $1,000,000 thereafter, from the twelfth year to the twenty-first year inclusive, the annual payments increasing by $100,000 for each year, the annual payment to amount to $2,000,000 in the twenty-first year; thereafter, from the twenty-second year to the twenty-ninth year inclusive, the annual payments increasing by $200,000 for each year, the annual payment to amount to $3,050,000; the aggregate of the foregoing payments to be sufficient to retire the entire issue by maturity.

Ten per cent of the amount by which the gross revenues of the Government in each fiscal year exceed the sum of $60,000,000 shall be used as an additional sinking fund during the life of the bonds.

13. Funds for the sinking fund and payment of interest are to be provided by the Republic as follows:

One-twelfth of the yearly interest, and one-twelfth of the sinking fund payments, are to be deposited by the Secretary of the Treasury with the Fiscal Agents, or with whom the latter may designate, at such place or places as shall be designated by the Fiscal Agents on the first day of each month during the life of the Loan, beginning February 1, 1923.

All moneys paid into the sinking fund shall be used by the Fiscal Agents at any time within ninety days after their receipt but not before February 10, 1923, for the purchase of bonds in the open market, at the current market price, but in no event in excess of the callable price, viz, the par or nominal value of the principal sum of the bonds. In case all the moneys in the sinking fund are not expended for such purposes, the Fiscal Agents will call bonds in the amount proportionate at their nominal value (namely, the par or nominal value of the principal sum) and in the form generally observed, that is, through a drawing, upon thirty days published notice. The interest accrued on bonds redeemed will be paid as provided in Article 14 of this contract.

Thirty days after the end of the fiscal year beginning on the first

day of July 1923, and during the life of the Loan, an amount equal to one-tenth of the revenues of the preceding year in excess of $60,000,000, shall be delivered to the Fiscal Agents on the first day of each month, until the completion of said ten per cent payment, for the additional amortization above referred to in Article 9 of this contract.

The Fiscal Agents will advise the Secretary of the Treasury of all the purchase or amortizations of the bonds which shall be effected, stating the prices; and all bonds purchased for or drawn for redemption and redeemed under the sinking fund provisions shall be cancelled by the Fiscal Agents and delivered to the Secretary of the Treasury of the Republic.

14. To enable and to promote the more convenient and efficient service of the interest payments and sinking fund, the Government agrees to observe and be bound by the following qualifications of the foregoing general provisions of this contract;

(a) The full amount of the interest payable on the bonds on any interest payment date shall be completed in the hands of the Fiscal Agents at least fourteen days before such interest date.

(b) In purchasing bonds in the market for amortization through the sinking fund, the Fiscal Agents, if market prices so require, may pay, over and above a price equal to the par or nominal value of the principal sum, the amount of interest accrued on the bonds at the date of such purchase; the amount over and above par resulting from the addition of such interest to be charged by the Fiscal Agents against and to be paid out of the moneys held by them for the payment of interest.

(c) The date fixed for the redemption by call of bonds through the sinking fund shall always be an interest paying date.

(d) The Fiscal Agents may suspend purchases of bonds with sinking fund moneys for a period of not exceeding fifteen days immediately prior to the first publication of any notice of redemption of bonds, in order to enable them to make a proper drawing by lot of the bonds to be redeemed.

(e) Unless specially requested to do so by the Government, the Fiscal Agents shall not proceed to call bonds for redemption through the sinking fund, unless the amount of the sinking fund in their hands at the time of the drawing and applicable thereto shall be at least the sum of $25,000.

(f) The interest falling due on the redemption date on any bonds called for payment through the sinking fund, shall be charged against and paid out of moneys held by the Fiscal Agents for the payment of interest, and not against or out of the sinking fund.

(g) If in any case the period of ninety days within which the Fiscal Agents are to apply the amounts received for the purchase of bonds as above provided, shall not have expired at the time for any drawing by lot of bonds to be called for redemption, the Fiscal Agents may continue to apply such amounts from the sinking fund to the purchase of bonds as aforesaid until the next drawing.

(h) In case upon expiration of any such ninety day period within which the Fiscal Agents are to purchase bonds out of any monthly sinking fund installment, the time shall not have arrived for a drawing of bonds for the sinking fund, the Fiscal Agents may continue to apply to such purchases any amount remaining of such sinking fund installment (together with any other sinking fund moneys available therefore) until the time of the next ensuing drawing.

(i) When drawings shall have been made, the Fiscal Agents will give notice thereof to the Government for publication in the Gaceta Oficial, and will publish such notices in the name of the Government at least once a week for four consecutive weeks in two daily newspapers of general circulation in the City of New York to be designated by the Fiscal Agents, the first publication of such notice to be at least thirty days and not more than forty days prior to the date appointed therein for the redemption. Such notice shall contain a sufficient designation of the numbers of the bonds so drawn and the date appointed for their redemption (which shall be the date of the next interest payment) and the announcement that on and after that date, upon presentation and delivery at the place of payment expressed in the bonds, of all and any of such designated bonds, with all appurtenant coupons maturing on said date of redemption and subsequently, the bonds so drawn will be paid at the par or nominal value of principal together with the interest accrued to the date of redemption. Outstanding bonds so drawn will cease to bear interest after the date appointed for redemption in such notice.

15. The Fiscal Agents will allow to the Republic, upon the amounts received by them for the amortization fund, until the same shall be withdrawn from such fund for the purchase or redemption of bonds as herein provided, and also upon the amounts received by them for the payment of interest on the bonds until paid out, interest at the rate of two per cent per annum, subject to change to conform to variations in the rate of interest from time to time allowed by them on general deposits of the class on which the rate of two per cent is paid at the present time.

16. In fulfillment of the provisions in Article III of the Law of October 9, 1922, the Government of the Republic will deliver to the Fiscal Agents at the end of each quarter of each fiscal year, a statement in reasonable detail of the several items of the receipts and the disbursements thereof, and also an adequate statement of the conditions of the finances of the Republic at the date of each statement. Such statement will be filled with the Fiscal Agents, without any previous request therefor, and as a matter of practice in the administration of the finances of the Republic.

Further in fulfillment of Article III of the said law of Oct. 9, 1922, and as provided in the announcement of the President published in the Gaceta Oficial of Dec. 19, 1922, the Republic covenants that reductions of the revenues referred to in subdivisions (a) and (b) of article 9 of this contract will not be made nor the collecting methods

changed in any way whatsoever that may or shall diminish the yieldings thereof; and that the Republic reserves and maintains the right to revise and modify the Custom House tariffs.

17. The Government hereby appoints the copartnership of J. P. Morgan & Co. its Fiscal Agents for the service of the loan, and the Republic of Cuba binds itself to pay to them the amount of all expenses arising from the transfer of moneys for the payment of interest and amortization of the loan, including the expense of publication of the notices of payment of interest and publication of notices of redemption of bonds; and also the Republic will pay to the said Fiscal Agents for services rendered in connection with said loan one-quarter of one per centum on all moneys paid for interest or for principle of said bonds. Accounts between the Republic and the Fiscal Agents concerning such payments and all other expenses and charges shall be kept by the Fiscal Agents in the City of New York, in terms of United States moneys, and said accounts, of which copies will be sent to the Government, may at any time be inspected by the Government or by its duly authorized representatives. The Republic of Cuba will pay the cost of engraving, printing and delivering the temporary and definitive bonds and the cost of this deed and copies.

18. All notices to the Republic in connection with this contract will be given in writing, addressed to the president of the Republic of Cuba, in the City of Havana, Cuba, and delivered in the Palace or other residence of the Executive; and notices to the Bankers or to the Fiscal Agents will be given in writing, addressed to J. P. Morgan & Co., New York City, United States of America, and delivered in their office in the City of New York.

19. The Government will give in the Spanish language, over the appropriate signatures and seals, any information at any time desired by the Bankers or the Fiscal Agents concerning the financial condition of the Republic of Cuba, its laws, revenues, etc., and all other fiscal matters in regard to which they shall desire official information.

20. Wherever in the English text of the bonds the term "United States money" or "United States gold coin" is used, it will be understood to mean gold coin of the United States of America of the present standard of weight and fineness. Wherever in the Spanish text the word "pesos" is used, it will be understood to mean the equivalent of dollars in money of the United States of America of the present standard.

21. Under the conditions aforementioned, the Republic of Cuba issues and sells to the Bankers the bonds herein described of the face value of $50,000,000 *at the rate of ninety-six and seventy-seven one hundredths per centum* (96.77%) plus the amount of interest accrued on the bonds from the date thereof to Jan. 29, 1923, which date is hereby fixed as the date of delivery of the bonds by the Government, and the Bankers purchase said bonds at said price. The Government agrees to deliver the bonds in temporary form on said date or at the earliest practical thereafter to the Bankers at their office in the city of New York. Upon

receipt of the provisional bonds the Bankers will pay to the Fiscal Agents, to be placed by them to the credit of the Republic, the amount of the purchase price; said money to be withdrawn by the Government of the Republic as required for the purposes for which the loan was authorized under the Law of October 9, 1922. Upon the amounts of such moneys from time to time held by the Fiscal Agents, the Fiscal Agents will allow to the Republic interest at the rate or rates currently allowed in the City of New York on deposits of like general character.

22. The Government will apply the proceeds of the bonds to the purposes for which the loan is created as provided in the law of October 9, 1922, above recited, to the end that the security described in this deed may be fully established.

23. Mr. Elliot C. Bacon, acting as member of the said copartnership of J. P. Morgan & Company, accepts in behalf and for the account of the Bankers, the present instrument, and binds the Bankers to carry out the obligations of the Bankers under this agreement, and especially agrees that they shall receive and pay for the fifty million dollars in bonds in the manner stipulated in this contract.

24. This contract will bind and will inure to the benefit of the Bankers and their several successors. The authority as Fiscal Agents herein conferred on J. P. Morgan & Company shall be exercisable by the partnership of J. P. Morgan & Company as now organized or as hereafter organized, and also any successor firm.

25. For the due interpretation of this agreement, a version in English is signed by the contracting parties and is hereto attached and such English text shall determine such due interpretation.

Signatures at foot of Notarial Deed as follows:

ALFREDO ZAYAS.
ELLIOT C. BACON.

M. DESPAIGNE.
ERASMO REGUEIFEROS BOUDET.
ARTURO GALLETTI.

Note: The foregoing is an exact transcription of the contract as distributed by J. P. Morgan & Co., and printed in the *Gaceta Oficial* of the Republic of Cuba, Jan. 26, 1923, without the attached schedules.

6.

NATIONAL CITY CO. LOAN TO HAITI

(a) This is another case of a loan issued with the approval of the President of the United States; here, however, not only was the approval made necessary by existent treaties, but the issue of

a loan with American recognition and approval was one of the specific conditions set forth in them.

This contract does not provide for the collection of the Republic's internal and customs revenues, all of which are pledged for the service of the loan, by the General Receiver of Haiti and the Official Financial Adviser, since these two American officials were already in existence and their functions defined, by virtue of the earlier treaties. However, the contract specifically provides that after the term of the treaty has elapsed, similar collectors shall be appointed by the President of the United States.

(b)

REPUBLIC OF HAITI

Customs and General Revenues
External Thirty Year Sinking Fund
Six Per Cent. Gold Bonds

Series A

Contract Dated October 6, 1922

THE NATIONAL CITY BANK OF NEW YORK

Fiscal Agent.

IN PURSUANCE *of the terms of a* TREATY *between the United States of America and the Republic of Haiti, concluded September 16, 1915, and the Additional Act of March 28, 1917, and of the* PROTOCOL *concluded October 3, 1919,* as modified and confirmed by an exchange of notes between the two governments, dated June 1, 1922, and June 3, 1922, respectively, and under authority of a Law of June 26, 1922, voted by the Council of State of the Republic of Haiti, *authorizing the Government of the Republic of Haiti to contract a Loan for Forty Million Dollars* ($40,000,000) in gold coin of the United States of America, to be issued in series, and *with the consent of the President of the United States of America,* THE FOLLOWING CONTRACT IS CONCLUDED, this 6th day of October, 1922, between the REPUBLIC OF HAITI (hereinafter referred to as the "Government"), *acting through its duly authorized representatives, Hon. John A. McIlhenny, as Financial Adviser to the Republic of Haiti,* in accord with Mr. Leon Dejean, its Secretary of State for Foreign Affairs, party of the first part, THE NATIONAL CITY COMPANY, a corporation of the State of New York (hereinafter referred to as the "Company"), represented by Allen G. HOYT, one of its Vice-Presidents, party of the second part, and THE NATIONAL CITY BANK OF NEW YORK, a national banking association (hereinafter sometimes referred to as the "Fiscal Agent"), represented by

Walter F. Voorhies, one of its Assistant Vice-Presidents, party of the third part.

ARTICLE I: The Government covenants with the Company that it will cause to be sanctioned, created and issued its "Customs and General Revenues External Thirty Year Sinking Fund Six Per Cent. Gold Bonds, Series A" (hereinafter sometimes referred to as "Series A Bonds"), in the aggregate principal amount of Sixteen Million Dollars ($16,000,000), gold coin of the United States of America, constituting part of the said Loan of $40,000,000, hereinbefore referred to, and it hereby appoints the said The National City Bank of New York as Fiscal Agent of the Government, with the duties and powers hereinafter set forth. Series A Bonds shall be direct obligations of the Government; shall be dated October 2, 1922; shall mature October 1, 1952, and shall bear interest from October 1, 1922, at the rate of six per cent. per annum, payable semi-annually on April 1 and October 1 in each year. Definitive Series A Bonds shall be issued in coupon forms, in denominations of $500 and $1000 each, in such amounts as to each denomination as the Company may designate; shall be registerable as to principal, but not as to interest; and they and the interest coupon pertaining thereto shall be substantially in the forms hereto attached, marked "Exhibit A." The Fiscal Agent shall maintain at its Head Office in the Borough of Manhattan, City and State of New York, United States of America, a book or books in which shall be kept a record of definitive Series A Bonds registered as to principal; and it may establish such regulations with reference to the registration of Bonds as it may deem necessary or advisable. Pending the preparation of definitive Series A Bonds, the Government shall issue one or more temporary Bonds, in such denominations as the Company may designate, without interest coupons and without provision for registration as to principal, in substantially the form hereto attached, marked "Exhibit B." Every such temporary Bond shall be exchangeable for a like aggregate principal amount of other temporary Series A Bonds of any other denomination or denominations, as the Company may, from time to time, request, and shall also be exchangeable for a like principal amount of definitive Series A Bonds, when such definitive Bonds are prepared and ready for delivery. Definitive Series A Bonds shall be executed on behalf of the Government in the City of New York, United States of America, with the facsimile signature of the Secretary of State for Finance and Commerce of the Republic of Haiti and by the autograph signatures of its Financial Adviser and of its Minister to the United States of America, as soon hereafter as the same can be prepared, and shall bear the facsimile of the Great Seal of the Republic of Haiti engraved thereon, and the interest coupons pertaining thereto shall be executed with the facsimile signature of the said Secretary of State for Finance and Commerce. Temporary Series A Bonds shall be executed on behalf of the Government by its Secretary of State for Foreign Affairs or any other duly authorized representative and shall be sealed with the seal of its Legation in Washington, D. C.

All Series A Bonds shall be further authenticated by the execution by the Fiscal Agent of a certificate in substantially the form hereto attached, marked "Exhibit C," indorsed on or affixed to each of such Bonds. Only such Series A Bonds as shall be so authenticated shall be valid or obligatory for any purpose; and such authentication upon any outstanding Bond shall be conclusive evidence, and the only competent evidence, that such Bond is one of the Bonds of this Loan.

ARTICLE II: The Government covenants that both principal and interest of the Series A Bonds will be paid promptly as they respectively become due, and that any and all other sums and expenses in connection with the service of Series A will be paid in conformity with Article XVI hereof, and that all payments shall be made in the Borough of Manhattan, at the Head Office of the Fiscal Agent, in gold coin of the United States of America of or equal to the present standard of weight and fineness, and shall be paid in time of war as well as of peace, whether the respective owners or holders of the Bond are citizens of a friendly or a hostile state, without deduction for or on account of any taxes, assessments or other governmental charges or duties now or hereafter levied or to be levied by or within the Government or by any taxing authority thereof.

ARTICLE III: The Fiscal Agent shall be entitled to treat the person in whose name any Series A Bond shall at the time be registered as to principal as the owner thereof for the purpose of receiving payment of such principal, and payment of or on account of the principal of any Bond which shall at the time be registered as to principal shall be made only to or upon the order of such registered owner. The bearer of any Series A Bond which shall not at the time be registered as to principal, and the bearer of any interest coupon pertaining to any Series A Bond (whether such Bond shall be registered as to principal or not) shall be deemed to be the absolute owner thereof for any and all purposes, and neither the Government nor the Fiscal Agent shall be affected by any notice to the contrary.

ARTICLE IV: In case any Series A Bond, with its interest coupons, shall be mutilated, destroyed or lost, the Government, in its discretion, may issue, and thereupon the Fiscal Agent shall authenticate and deliver, a new Bond of like series, denomination, tenor and date, in exchange and substitution for, and upon the cancellation of, the mutilated Bond and its interest coupons, or in lieu of and in substitution for the Bond and its interest coupons so destroyed or lost, upon receipt, in each case, of indemnity satisfactory to the Republic and to the Fiscal Agent, and, in the case of the destruction or loss of any Bond or its interest coupons, upon the receipt, also, of evidence satisfactory to them of such destruction or loss.

ARTICLE V: Series A Bonds shall not be subject to redemption prior to October 1, 1937, except through the operation of the Sinking Fund hereinafter provided for in Article VI hereof. The Government shall have the right to redeem all the outstanding Series A Bonds,

but not a part thereof, at the redemption price of 100 per cent. of the principal amount thereof, on October 1, 1937, or on any semi-annual interest date thereafter prior to maturity, upon giving notice of such redemption by publishing the same at least once a week for eight consecutive weeks in each of two newspapers of general circulation published in the Borough of Manhattan, City and State of New York, United States of America, the first publication to be at least sixty (60) days prior to the date designated for redemption, and by mailing a copy of such notice to each registered owner of Series A Bonds, at his address appearing upon the Bond registry books, on or before the date of the first publication of the notice. Such notice shall call upon the holders of Series A Bonds to surrender the same, with all unmatured interest coupons attached, at the Head Office of the Fiscal Agent for redemption at the said redemption price on the date designated for such redemption. Notice of redemption having been given as herein provided, the said Bonds shall, on the date designated in such notice, become due and payable at the said redemption price, anything herein or in the said Bonds contained to the contrary notwithstanding. After such redemption date, the Bonds designated for redemption shall cease to bear further interest.

ARTICLE VI: For the payment of the interest on the outstanding Series A Bonds and the amortization of the principal thereof at or prior to maturity, the Government covenants that it will remit, or cause to be remitted, to the Fiscal Agent, in the City of New York, United States of America, monthly, on or before the fifteenth day of each month (so long as any of the Series A Bonds remain outstanding and unpaid and there shall not have been deposited with the Fiscal Agent a sum in cash sufficient to pay, and for the purpose of paying, the same), the following sums, respectively, in gold coin of the United States of America:

During the year ending October 1, 1923, the sum of $92,500, in each month;

During the year ending October 1, 1924, the sum of $92,916.67, in each month;

During the year ending October 1, 1925, the sum of $93,333.33, in each month;

During the year ending October 1, 1926, the sum of $93,750, in each month;

During the year ending October 1, 1927, the sum of $94,166.67, in each month;

During the year ending October 1, 1928, the sum of $94,583.33, in each month;

During the year ending October 1, 1929, the sum of $95,000, in each month;

During the year ending October 1, 1930, the sum of $95,416.67, in each month;

During the year ending October 1, 1931, the sum of $95,833.33, in each month;

During the year ending October 1, 1932, the sum of $96,250, in each month;

During the year ending October 1, 1933, the sum of $96,666.67, in each month;

During the year ending October 1, 1934, the sum of $97,083.33, in each month;

During the year ending October 1, 1935, the sum of $97,500, in each month;

During the year ending October 1, 1936, the sum of $97,916.67, in each month;

During the year ending October 1, 1937, the sum of $98,333.33, in each month;

During the year ending October 1, 1938, the sum of $98,750, in each month;

During the year ending October 1, 1939, the sum of $99,166.67, in each month;

During the year ending October 1, 1940, the sum of $99,583.33, in each month;

During the year ending October 1, 1941, the sum of $100,000, in each month;

During the year ending October 1, 1942, the sum of $100,416.67, in each month;

During the year ending October 1, 1943, the sum of $100,833.33, in each month;

During the year ending October 1, 1944, the sum of $101,250, in each month;

During the year ending October 1, 1945, the sum of $101,666.67, in each month;

During the year ending October 1, 1946, the sum of $102,083.33, in each month;

During the year ending October 1, 1947, the sum of $102,500, in each month;

During the year ending October 1, 1948, the sum of $102,916.67, in each month;

During the year ending October 1, 1949, the sum of $103,333.33, in each month;

During the year ending October 1, 1950, the sum of $103,750, in each month;

During the year ending October 1, 1951, the sum of $104,166.67, in each month;

During the year ending October 1, 1952, the sum of $69,470.42, in each month.

Anything herein contained to the contrary notwithstanding, the first remittance hereunder shall be made on or before December 15, 1922, and shall be of the sum of $277,500, being the aggregate of the amounts payable for the first three months of the year ending October 1, 1923.

From the sums so remitted, from time to time, the Fiscal Agent shall first set aside a sum sufficient to pay the interest on the outstanding

Series A Bonds on the next subsequent semi-annual interest date, and, after setting aside such sum, the Fiscal Agent shall apply the remaining sums so received, from time to time, as a Sinking Fund for the retirement of the Series A Bonds, in the following manner:

The Fiscal Agent shall apply the moneys in the Sinking Fund, as the same accrue and become available thereto, from time to time, to the purchase of Bonds in the open market (including, as well, any stock exchange), if obtainable with reasonable diligence at prices not exceeding 100 per cent. of the principal amount thereof and accrued interest. Any moneys in the Sinking Fund which shall not have been applied to the purchase of Series A Bonds at least seventy days prior to the first day of October in any year shall be applied on such first day of October to the redemption of Series A Bonds, by lot, at the redemption price of 100 per cent. of the principal amount thereof as follows; The Fiscal Agent shall select by lot an aggregate principal amount of such Bonds equal, as nearly as may be, to, but not exceeding, the moneys then in the Sinking Fund, and shall thereupon cause notice of redemption of the Bonds so selected to be given by publication and mailing in substantially the same manner, and with like effect, as hereinbefore provided in Article V hereof; provided, that the said notice shall specify the serial numbers of the Bonds selected for redemption. The Fiscal Agent may employ the Company to act as its agent in the purchase of the Bonds.

ARTICLE VII: The Government covenants that, if in any fiscal year, so long as any of the Series A Bonds remain outstanding and unpaid, the gross general revenues of the Government shall exceed the aggregate sum of Seven Million Dollars ($7,000,000) in gold coin of the United States of America, the Government will, at the expiration of three months after the close of such fiscal year, pay over to the Fiscal Agent a sum equal to twenty-five per cent. of any such excess (not exceeding, however, the sum of $250,000 in gold coin of the United States of America, in any fiscal year), which shall be applied by the Fiscal Agent to the purchase of Series A Bonds in the open market, if obtainable with reasonable diligence at prices not exceeding one hundred per cent. of the principal amount thereof and accrued interest; provided, that, if, by reason of inability to so purchase Series A Bonds, any unexpended balance of such sum should remain at the end of four months after such sum shall have been so paid over to the Fiscal Agent, the said balance shall revert to the Treasury of the Government. The Fiscal Agent may employ the Company to act as its agent in the purchase of Series A Bonds pursuant to this Article VII.

ARTICLE VIII: Any and all Series A Bonds purchased or redeemed pursuant to any of the provisions of this Contract shall forthwith be cancelled by the Fiscal Agent and permanently retired and disposed of at the direction of the Government, and no further Bonds of any series shall be issued in lieu thereof.

ARTICLE IX: To secure and guarantee the payment of the principal and interest of the Series A Bonds and of any and all other

Bonds of the Loan which may hereafter be issued by the Government, as authorized by the said Law of June 26, 1922 (not exceeding $40,000,000, aggregate principal amount), and to secure and guarantee the payment of any and all sums which may become due and payable at any time for or on account of the amortization of the principal of the Series A Bonds, as hereinbefore provided, *the Government agrees to create, and hereby does create, a first charge upon all its internal revenues and customs revenues, subject only to a prior charge on such customs revenues (not exceeding five per cent. thereof) for the payment of the salaries, allowances and expenses of the General Receiver and the Financial Adviser, as provided in the said Treaty of September 16, 1915.* The Government hereby hypothecates such revenues, and authorizes the General Receiver or the officer exercising his functions and (after the expiration of the said Treaty of September 16, 1915) *the officer or officers to be appointed by the President of the Republic of Haiti, on the nomination of the President of the United States of America,* as provided in Article VIII of the said Protocol of October 3, 1919, to set aside from the hypothecated revenues the sums required to be remitted pursuant to the provisions of Article VI hereof, and to remit the same to the Fiscal Agent at the times and in the manner provided in this Contract and in the said Bonds.

ARTICLE X: The Government covenants to cause all indebtedness heretofore incurred by it and secured by charge on any of its general revenue (internal or customs) which is or may be prior to the charge hereby created to be forthwith discharged. No Bonds of the Loan authorized by the said Law of June 26, 1922, shall at any time be issued, *except by previous agreement with the President of the United States of America.*

ARTICLE XI: The Government agrees to sell the Company, and the Company agrees to purchase from the Government, Sixteen Million Dollars ($16,000,000), aggregate principal amount, of Series A Bonds of the Loan, as above described, for the purchase price of (that is to say, at the price of per cent of the face value of such Bonds), plus an amount equivalent to interest on the said Bonds at the rate of six per cent per annum from October 1, 1922, to the date of the execution of this Contract (or in the aggregate). The said purchase price shall be immediately credited to the Government on the books of the Company as an account payable; but such account shall in no event become due or payable until the delivery to the Company, at the Head Office of the Fiscal Agent in the Borough of Manhattan, City and State of New York, United States of America, of a temporary Series A Bond or Bonds in the said aggregate principal amount of $16,000,000, which shall be duly issued, executed and authenticated as hereinbefore provided and delivered to the Company within fifteen (15) days after the formal ratification of this Contract by the Government, of which the Company and the Fiscal Agent shall be officially notified through the Department of State of the United States of America; and thereupon the Company shall pay to the Fiscal Agent

at its said Head Office, in New York City funds, for account of the Government, the said sum of with interest thereon at the rate of two and one-half per cent. per annum from the date of this Contract to the date of the delivery to the Company of the said temporary Bond or Bonds.

ARTICLE XII: The definitive Series A Bonds shall be engraved in such form as to be eligible for listing on the New York Stock Exchange; and the Government agrees to furnish such information as may be required in connection with any application to list such Bonds on the said Stock Exchange. The Government will pay, as part of the expenses in connection with the service of the Bonds of Series A, the cost of any such listing.

ARTICLE XIII: The obligations of the Company under this Contract are expressly conditioned upon the due ratification and sanction of this Contract by the Council of State of the Republic of Haiti within forty-five (45) days after the execution hereof and upon the approval by counsel for the Company of the legality of the Loan and the Series A Bonds including all proceedings in connection with the authorization, sanction and issue of the Loan and the said Bonds; and the Government agrees to furnish to the Company, prior to the delivery of any Series A Bonds, all such documents, instruments, assurances and proof of legality as counsel for the Company may require.

If the Council of State shall fail to ratify and sanction this Contract within the said period of forty-five (45) days after the execution hereof, or if the Government shall fail to deliver a temporary Series A Bond or Bonds to the Company within fifteen (15) days after such ratification, as provided in Article XI hereof, or if counsel for the Company shall be unable to give their approval as above provided in this Article XIII, the Company, at its option, may cancel the account payable opened in favor of the Government as provided in the said Article XI, and thereupon the Company and the Fiscal Agent shall be respectively relieved and discharged from any and all obligations or duties under this Contract.

ARTICLE XIV: The Government will indemnify and hold harmless the Company from and against any and all loss, liability, cost or expense which the Company may sustain by reason or in consequence of any delay or default in the performance by the Government of any of the agreements made by the Government in this Contract; and the Company will, in like manner, indemnify and hold harmless the Government from and against any or all loss, liability, cost or expense which the Government may sustain by reason or in consequence of any delay or default in the performance by the Company of any of the agreements made by the Company in this Contract.

ARTICLE XV: The Government shall pay to the Fiscal Agent, as compensation for its services rendered hereunder, a sum equivalent to one-quarter of one per cent. of the face amount of all interest coupons, as paid, and to one-eighth of one per cent. of the principal amount of all Series A Bonds, as retired, whether paid at maturity or

purchased or redeemed prior to maturity, as hereinbefore provided. Payment of such compensation shall be made to the Fiscal Agent, in gold coin of the United States of America in the City of New York, United States of America, upon statements rendered semi-annually by the Fiscal Agent to the Government, as hereinafter provided. The Fiscal Agent shall allow and pay to the Government, on moneys remaining on deposit with the Fiscal Agent for thirty days or more interest at not less than the rate of two and one quarter (2¼) per cent. per annum, or at such higher rate (if any) as the Fiscal Agent and the Government may, from time to time, be able to agree upon. The Fiscal Agent may treat all such moneys as time deposits.

ARTICLE XVI: The Fiscal Agent shall render to the Secretary of State for Finance and Commerce of the Government in each year semi-annual statements of account covering the semi-annual periods ending March 31 and September 30 in such year, of all receipts and all payments and expenses made or incurred by it during the respective periods; provided, that the first statement shall be rendered for the period commencing with the date of this Contract and ending March 31, 1923. Unless objection to any such statement of account shall be made by the said Secretary of State to the Fiscal Agent within two months after the receipts of such statement of account by him, particularly specifying the ground or grounds of such objection or objections, the said statement of account shall be deemed to be correct and conclusive between the Government and the Fiscal Agent; and the Government shall promptly pay, or cause to be paid, the expenses of the Fiscal Agent, as shown in such statement, as part of the service of the Series A Bonds. The expenses of the service of Series A Bonds may include, among other things, expenses of printing and advertising, cost of exchange and remittance of funds, brokerage charges, postage, cable, telegraph and telephone charges, charges of legal counsel for services rendered otherwise than under a general retainer by the Fiscal Agent and other usual expenditures.

ARTICLE XVII: The Fiscal Agent accepts its appointment as such, and agrees to perform its obligations under this Contract upon the terms and conditions herein set forth, including the following:

(a) If the Fiscal Agent shall at any time be in doubt with respect to its rights or obligations hereunder or with respect to the rights of any holder of any Series A Bond, the Fiscal Agent may advise with legal counsel, and anything done or suffered by it in good faith in accordance with the opinion of such counsel shall be conclusive in its favor as against any claim or demand by any holder of any Series A Bond.

(b) The Fiscal Agent shall not be responsible to the Government or to any holder of any Series A Bond for any mistake or error of fact or of law or for the exercise of any discretion or for anything which it may do or cause to be done in good faith in connection herewith, except only for its own wilful default.

(c) The appointment of the Fiscal Agent by the Government is ir-

revocable, except for good and sufficient cause; but the Fiscal Agent may resign at any time, as such Fiscal Agent, by giving notice of resignation to the Republic in the manner provided in Article XIX hereof at least four weeks before such resignation takes effect, and by publishing such notice at least once a week for four consecutive weeks in each of two newspapers of general circulation published in the City of New York, United States of America.

(d) In acting under this Contract, the Fiscal Agent is solely the agent of the Government and does not enter into or assume any obligation or relationship of agency or trust for or with any of the holders of any Series A Bonds or their interest coupons.

ARTICLE XVIII: Nothing in this Contract expressed or implied is intended or shall be construed, to give any person, other than the parties hereto, any right, remedy or claim under or by reason of this Contract or any covenant, stipulation or condition herein contained.

ARTICLE XIX: Notices to the Government in connection with this Contract or the performance of any of the terms hereof, may be given by written communication, or by cable, addressed to the Government's Secretary of State for Finance, at Port-au-Prince, Haiti. Notices from the Government to the Fiscal Agent in connection with this Contract may be given by written communication, or by cable, addressed to The National City Bank of New York, at No. 55 Wall Street, New York City, United States of America. Notices from the Government to the Company in connection with this Contract may be given by written communication, or by cable, addressed to The National City Company, at No. 55 Wall Street, New York City, United States of America. *Cable communications may be sent through the Department of State of the United States of America, and all such communications so sent shall be deemed authentic.*

ARTICLE XX: The Company will pay, as part of the cost of issuing the Series A Bonds, the cost of preparing, printing and engraving the temporary and definitive Bonds and any interim certificates therefor, the cost of advertising and circularizing incurred in connection with the distribution of the Bonds, the fees of the Company's counsel, the charge of the Fiscal Agent for authenticating the Bonds, any charges for the use of signature machines employed in signing and authenticating the definitive Bonds and the interim receipts or temporary Bonds and all other expenses which may be incurred by the Company in connection with the issue.

ARTICLE XXI: This Contract shall be executed both in the English and in the French languages. The Bonds issued in accordance with this Contract, and any indorsements thereon, shall be in English only.

ARTICLE XXII: In case of dispute between the Government and either of the other parties to this Contract, the matter shall be referred for determination to arbitrators, one of whom shall be appointed by each of the parties to the dispute; and, if such arbitrators shall be unable to agree among themselves, the Secretary of State of the United States of America shall be requested to appoint an additional arbitrator.

The decision of a majority of the arbitrators so appointed shall be binding and conclusive upon the parties to the dispute.

ARTICLE XXIII: This Contract shall bind and inure to the benefit of the parties hereto, their respective successors and assigns.

IN WITNESS WHEREOF, this Contract is signed and delivered, in quadruplicate, in the City of Washington, District of Columbia, United States of America, the day and year first above written.

For the Republic of Haiti:
JOHN A. McILHENNY
LEON DEJEAN
For the National City Company:
ALLEN G. HOYT
Vice-President
For the National City Bank of New York:
W. F. VOORHIES
Asst. Vice-President

Note: The foregoing is an exact transcript of the contract as printed for distribution by the National City Co. Attached as Exhibits A, B, and C are the forms of the definitive Series A Bonds, the temporary Series A bonds, and the Fiscal Agent's certification.

II. CONCESSIONS

The only country that has been studied in making this selection of concessions is Cuba, and that only for a period of ten years ending in 1915. Furthermore, only national concessions are included and this limitation necessarily excludes all mining grants which, in Cuba, are issued by the local provinces. These, however, are not important in Cuba. Besides these limitations, others of space and a sense of proportion have necessitated printing only a handful here from the dozens issued during this period. Other concessions, which are wholly unrepresented here, include authorizations for local telephone lines, charters for wharves, baths, electric plants, warehouses, and banks. These, being more or less of a formal or charter nature, have been passed by in favor of including here less ordinary cases. Others that might have been included do exist, nevertheless, and among them are street railway franchises to American companies, a general subsidy law providing a grant of $6,000 a kilometre subvention for certain proposed routes which were subsequently built almost entirely by American railroad companies; other railroad concessions; dredging and port contracts; and special permits for the importation under contract of unskilled negro labor. If the period covered by this selection came up into more recent years, it would be necessary to include also the so-called Tarafa Law, not nominally a concession, but which granted a railroad transportation monopoly to an American combination on the island.

One Mexican concession is included. It may be taken as a typical grant of land for oil exploration.

The concessions, as a whole, require no detailed description. The same procedure of italicizing distinctive portions has been followed, except in the first contract where the italicized portion would have included almost the entire document. This Sewage and Paving Contract has a self-explanatory preamble and is

printed for the political significance it may have had; the scandal, both in the United States and Cuba, which accompanied its issue, has not yet been forgotten.

A few words explain the other concessions, and have been given at the head of each. All the Cuban texts are unofficial translations from the *Gaceta Oficial de la Republica de Cuba,* published by the Cuban Government in Havana, and available at the offices of the Cuban consuls in the United States.

I.

SEWAGE AND PAVING CONTRACT

Decree Number 681
Published in the Official Gazette of
June 23, 1908.

Havana, June 22, 1908.

Whereas: By Article V of the Appendix to the Constitution of Cuba and by the dispositions of treaties with the United States, there has been imposed upon the Cuban Government the obligation of carrying out works for the sanitation of the Island, and the Governor General, in Decree number 894 of August 26, 1907, assumed the general direction of the matters of sanitation referred to; and

Whereas: In order to provide in part the sanitation of Havana, the Council entered into a contract on January 10, 1902, with Messrs. Samuel P. McGivney and Ralph T. Rokeby, for the installation of a sewage system, and for certain paving works in said city, which contract, with the consent of the city of Havana and with the approval of the Executive of the Republic, has been transferred to the McGivney and Rokeby Construction Company, a corporation organized in accordance with the laws of the State of New Jersey; and

Whereas: Since the date of the said contract, the city of Havana has not made the slightest gesture toward fulfilling it, and is not at present, through lack of funds, in a condition to carry it to fulfillment;

Whereas: In view of the above, the Secretary of War addressed a letter to Governor Magoon, dated March 5, 1908, making reference to, and transcribing, a letter from the President of the United States to the Secretary of War, of March 2, 1908, accompanying a letter of the Secretary of State of February 29, 1908, and one from the Secretary of War dated February, 1908, to which correspondence the present makes reference, forming a part of the same, as follows:

5 March, 1908.

Governor Magoon, Esteemed Sir:

I enclose herewith a copy of the letter addressed to the President by Secretary Root, in reference to the McGivney and Rokeby contract for the sewage and paving of Havana, and also a copy of the letters that I have addressed him on the same matter, with the reply of the Presi-

dent to the same. In conformance with the opinions and recommendation expressed in said letters, I order you to carry out the plan described in them.

Very sincerely yours,
(Signed) Wm. H. Taft,
Secretary of War.

Honorable Charles E. Magoon,
Provisional Governor of Cuba.
Appended: copy of 35, 36, 38, 39 and 391.

The White House,
Washington, 2 March, 1908.

Secretary Taft,
My Esteemed Sir:

I have considered your letter of the 25th of last month, and also that of Secretary Root, of the 29th day of the same month, that relate to the history of the contract of construction entered into in January of 1902 for the sewage and paving of the city of Havana, Cuba, and which contains its recommendations as to the means that should be adopted in the future with the end of completing the work in accordance with the same.

I am in accordance with the critique and with the recommendations that appear in these letters, and it satisfies me to see that the way seems open for the continuation and early completion of this important work of sanitation.

I return to you, attached, the correspondence that has mediated in this case, for its opportune effects.

Sincerely yours,
(Signed) Theodore Roosevelt.

To the Honorable Wm. H. Taft,
Secretary of War.

Department of State,
Washington,
29 of February, 1908.

Mr. President, Esteemed Sir:

Secretary Taft and Governor Magoon have spoken extensively with me in respect to the present situation of the contracts entered into for the work of sanitation of Havana and Cienfuegos; and I have read the letters addressed to you by Secretary Taft on said matters.

Although I am not in a position to be able to speak about the details of these affairs, I consider it of the greatest importance from the point of view of the Department of State that something effective be done in both cases. The precepts of the Constitution of Cuba, following the piece of legislation that is known as the Platt Amendment, and the provisions of the Treaty between the United States and Cuba, follow-

ing said precepts, expressly impose upon the Cuban Government the duty of executing, and wherever it may be necessary, extending the plans already made or which are to be mutually agreed upon for the sanitation of the cities of the Island; and among the plans designated as already prepared when the Island was handed over to the Cuban Government on 20 May, 1902, was included that for the sewerage and paving of the city of Havana. During all the time that has elapsed between 20 May, 1902 to the recent intervention, the Department of State has been urging the Government of Cuba to continue these plans of sanitation. The execution of the plans is of the greatest importance to the United States, especially for its sea-coast commercial cities, whose commerce was formerly menaced in a serious way by the necessity of maintaining quarantines against Cuban cities. The duty which is incumbent upon the Cuban Government of effecting works of sanitation, constitutes an essential part of the Treaty which the United States should not permit to fall into disuse. If after the termination of our present intervention it appears that we ourselves have proceeded in a manner that indicates that we do not believe this work should continue, it would be very difficult for us to maintain the proposition with the Cuban Government that it ought to continue it.

To summarize, the execution of works of sanitation constitutes a duty with reference to which we are obliged to say that the Cuban Government should proceed, and that duty is incurred by the Intervening Government, as much as it would be incumbent upon the government that succeeds it. If we do not recognize the duty now, we cannot hope that the Government of Cuba that succeeds the Intervening Government will recognize it when it arrives to power.

In fullfilment of the duty of sanitation much must have been facilitated by the changes introduced in the Law by Governor Magoon, by which the work of sanitation has been nationalized instead of leaving it in the hands of the various Municipalities as it was formerly. Now that the Government of Cuba has assumed the responsibility to do work of this kind for itself, there should be no necessity, and apparently there is none, that the fulfillment of these obligations should suffer delay.

Sincerely,
(Signed) Elihu Root.
Washington, D. C.
February 1908.

Mr. President,
Your Excellency:

The city of Havana needs an adequate sewage system and also the additional paving of its streets to promote the continued growth of the city.

On 21 June, 1901, in accordance with the existing laws, the city of Havana auctioned the work of construction of a sewer system and certain paving of its streets. The bids were opened 23 October, of the same year, and the combined bid of Messrs. Ralph T. Rokeby and Samuel P. McGivney was accepted for both kinds of construction.

On 10 January, 1902, a contract was duly entered into between the contractors and the city, and the contractors deposited the sum of $500,000 in the coffers of the city to guarantee the due fulfillment of the contract on their part, of which sum the city is still in possession. In accordance with the provisions of this agreement the contractors were obliged to begin the work within thirty days after being notified by the Mayor of the City of Havana that there were funds in the Treasury disposable for the execution of the work, and to finish it within four years after the date of said notification.

The work under this contract was never begun, because the city never made the notification that it had funds disposable for this object, and it is not probable that the income of the city would be found sufficient now to fulfill the obligations of said contract, besides defraying the obligations that they carry.

The work of sanitation of the Island is intimately connected with the sewage of the greater cities of the coast, and the adequate paving of their streets. The Central Government of the Island has taken upon itself the general work of sanitation and work of this kind, especially in Havana, and they are in greater degree of a national character. Besides, Article V of the Appendix of the Constitution, which is one of those from the so-called Platt Amendment of said document, imposed upon the Government of Cuba the duty of executing works for the sanitation of the Island, and this, considered together with the possibility that the ports of the South might contract infection of yellow fever imported from the ports of Cuba, makes of this matter one of international importance and special interest for the United States, as also for the Island of Cuba.

In view of the above, and that Havana is in addition capital of the Republic, and that many of its public edifices and institutions are situated in said city, it appears proper and fitting that the Central Government should take charge of this work, guaranteeing the fulfillment of this contract and advancing the necessary funds. As the work is of special benefit to the city of Havana it ought to defray a part of the cost of the same, and it is estimated that the third part of the cost would constitute the proportion that the city would be able to bear conveniently, the General Government paying the other two parts.

This division may be settled conveniently by means of a decree, in view of which, in accordance with the proposed Municipal Law, such as was approved by the Advisory Commission, it is prescribed in works of this class, in which the cost has been defrayed by the Municipality and the General Government, the Congress may fix the proportion that should be paid by each if it is not determined in a satisfactory form by agreement.

Therefore: It is recommended that the Provisional Governor be authorized to issue his Decree sanctioning the covenanting of an additional contract between the State and the McGivney and Rokeby Construction Company, Incorporated, of New Jersey which succeeded to the rights of the said McGivney and Rokeby under their contract of 10 January, 1902,

by virtue of which the State shall take upon itself the direction of the fulfillment of said contract and of the obligations of the city of Havana contracted under the same, and said Company shall accept the fulfillment of the obligations assumed in the contract by the above-mentioned McGivney and Rokeby, subject to the modifications later expressed, and also determining the method of assuring the payment and the proportion that the city of Havana is to reimburse the State with.

The modifications of the early contract that might be necessary in view of the delay of the fulfillment of said contract and of the changes resulting in the situation and by virtue of the General Government having assumed the direction of the fulfillment of the contract, and, in greater part, the obligations of the Municipality, in accordance with the contract, have been the object of conferences between the representatives of the contractors and of the Government, which have agreed upon a proposal of an additional contract, appended hereto.

In the proposal of the appended additional contract the contractors have insisted that stipulations be made as to the funds necessary to complete the work, with the end that the due payment of the sums that are owed them, in accordance with the contract, be absolutely guaranteed.

With the purpose of complying with this plea, which I believe should be conceded, it has been indicated that the Decree authorizing the additional contract also fix the proportion of the charge of the State and the Municipality, respectively, and should contain a guarantee of the payments due in accordance with the contract, consisting of 10% of the customs receipts of the port of Havana after the 15% now set aside for the payment of the capital and interest of the so-called Speyer Loan of thirty-five million dollars, which ten per cent shall be set aside in the Treasury and shall be used exclusively for the expenses incurred in accordance with said contract, such as assumed by the State. An adequate clause in this concept should be inserted into the contract. The Decree should also contain a provision that the city of Havana should reimburse the State its due proportion of the cost of each year regularly, including the necessary sums for this end in its annual or special budgets, but reserving the power it may have in accordance with the proposed Municipal Law, of reimbursing by means of taxes or assessments on the properties benefited by the works.

It is respectfully recommended that orders be given the Provisional Governor to issue the Decree necessary to carry to completion the above enumerated modifications.

Respectfully,
(Signed) Wm. H. Taft,
Secretary of War.

Whereas: It is now a matter of public necessity, as a sanitary measure, to provide the city of Havana with a sewage system and paved streets substantially as prescribed in the mentioned contracts; and

Whereas: The change of conditions that has taken place since said contract was entered into up to the present makes certain modifications

in the plans necessary, and changes in the method of carrying the work to completion;

Whereas: In accordance with the correspondence preceding, and by order of the President of the United States, the negotiations between the Government of Cuba and said Construction Company have resulted in an agreement for a new contract to be entered into between the Republic of Cuba of the one part, and said McGivney and Rokeby Construction Company of the other, before any Notary Public of Cuba, in accordance with the Law.

Therefore: In accordance with the correspondence and instructions preceding, exercising the powers with which I am invested as Provisional Governor and in behalf of the Secretary intern of Public Works,

I RESOLVE:

Article 1—That the Government of Cuba duly enter into a contract with the McGivney and Rokeby Construction Company, which shall contain the same stipulations as those established in said contract of January 10, 1902, the Government of Cuba assuming the same obligations as the city of Havana, and the above mentioned McGivney and Rokeby Construction Company the same obligations as said Samuel P. McGivney and Ralph T. Rokeby, in the expressed contract, except as modified in said stipulations by virtue of a change in the parts, but, notwithstanding, modified and amended in the manner prescribed in the instructions above, with the other modifications and stipulations that may be necessary and convenient with the purpose of carrying to completion the ends of the early contract, and which require a change of the conditions.

Article 2—To hereby authorize the Secretary intern of Public Works to enter into the referred contract, in behalf of the Republic of Cuba, with the McGivney and Rokeby Construction Company in accordance with the terms and conditions of this Decree, before any Notary Public in Cuba, in accordance with the Law.

Article 3—That the inspection of the fulfillment of said contract shall be considered part of the duties of the Department of Public Works, and it shall be the duty of the Secretary of said Department to make the Treasury of the Republic, with reasonable anticipation, the requests for funds necessary, and to dispose of them in effecting payments, in accordance with the stipulations of said contract.

Article 4—That it is hereby provided that there be reserved and set apart 10% of the customs receipts of the port of Havana, during seven years from the date of the contract which is to be entered into, and, in addition, as long as may be necessary to complete the payments under said contract, immediately after the 15% of the same that are at present reserved for the payment of the capital and interest of the loan of 35,000,000 dollars, known as the Speyer Loan, with the purpose of satisfying the payments required by the contract, including the cost of supervision and direction, and also the part of said payments that are to be borne by the Municipality of Havana as prescribed later, which sums

the State shall advance and the Municipality shall reimburse it, as disposed in Article 5 of this Decree.

Article 5—That the third part of all the payments to be made, in accordance with the contract hereby authorized, inclusive of the costs of supervision and direction and the cost of the other works of sanitation, determined in Article 6 of this Decree, which may be necessary by virtue of these works, and which shall have to be done at the cost of the State, shall be for the account of the Municipality of Havana, which shall reimburse the National Treasury for these expenses in quarterly payments, in accordance with accounts presented by the Secretary of Public Works. The Council will provide the funds for such reimbursement in its annual budget, or in special budgets, without prejudice of reimbursing the Municipal Treasury, by means of assessments on the benefited properties, in accordance with the Municipal Law. The Secretary of Public Works shall opportunely present the Council with an account of the part of the costs that the city may have to defray on account of said work during the fiscal year, with sufficient anticipation to permit its inclusion in said budgets.

Article 6—That the Secretary of Public Works, as soon as may be practicable, prepare and present to the Chief of the Executive Power, the plans and estimates for the construction and repair of sidewalks, the repair and improvement of the water system in Havana, and the works necessary to obtain the sanitation of said city, and which depend upon, or may be incidental to the fulfillment of the said contract, and shall express in addition the probable sum of money that shall be needed annually for said works until they are completed.

Article 7—Ten per cent of the customs receipts of the port of Havana are hereby consigned for the payments to be made in accordance with the contract to which this Decree refers, including the costs of supervision and direction and sanitary works expressed in the preceding article, and there is also consigned for such ends the sums reimbursed to the State by the Council of Havana, as provided in Article 5 of this Decree, which sums shall be disposable until they are used. And all the expenses under said contract hereby authorized shall be made with the approval of the Chief Engineer of the Contract for Sewerage and Paving of Havana, appointed in conformance with the stipulations of the contract herein authorized.

Article 8—The supervision and direction of the works to be realized in accordance with this contract, are hereby declared the duty of an official to be known as Chief Engineer of the Contract for the Sewage and Paving of Havana, and the office of Chief Engineer of the Contract for the Sewage and Paving of Havana is hereby created, with the powers, privileges, and emoluments expressed in said contract. Said Chief Engineer shall be appointed in writing by the Provisional Governor of the Island of Cuba, or by the Chief of the Executive Power of the Republic. The salary of the official referred to shall be $7,000 per year, payable monthly. Said Chief Engineer of the Contract for the Sewage and Paving of Havana is empowered to appoint, direct,

and remove any individual or all the personnel that the State needs to employ in the fulfillment of said contract, and to fix the salaries of said employes. The tenure of his office shall be for the time of said contract unless he be removed previously by the Provisional Governor of Cuba, or by the Chief of the Executive Power of the Republic of Cuba, for a duly justified cause, after due notification and a public hearing. In case of the death, resignation or incapacity of said official thus appointed, the Chief of the Executive Power of the Republic of Cuba shall appoint another Chief Engineer of the Contract for the Sewage and Paving of Havana after hearing the contractor and the Secretary of Public Works expound the fitness of their respective candidates for the charge.

Article 9—In view of the fact that new pavement may not be made in the streets of Havana under this contract for some time, and as the problem of the best class of pavement for cities has not been solved in a satisfactory manner yet, improvements in pavement systems continually being made, the question of the adjustment of the kinds of pavement, new and otherwise, that are to be located in Havana, and of the prices to be paid for said works, is left for the future, being determined then as hereby prescribed; and the Secretary of Public Works is authorized and ordered to insert in the new contract referred to, a clause disposing that the stipulations of the new contract, as well as of the early contract, may be changed, modified, or amended, at any time in the future during the continuation of the work with the mutual written consent of the contractor and the Government.

And full power and authorization is hereby conceded to the Secretary of Public Works that, with the approval of the Chief of the Executive Power, having heard from time to time the Chief Engineer, he come to agreements in writing with said contractors in reference to the changes, amendments, or modifications that are required during the execution of the works.

Article 10—The Government hereby expresses its consent for the transfer to the contractors by Samuel P. McGivney and Ralph T. Rckeby of all the rights inherent in these to occupy the maritime zone of the Ensenada de Atares, Port of Havana, for an asphalt factory and for a wharf and deposit, in accordance with permission granted them by Major General Leonard Wood, Military Governor, April 22, 1902, subject to the conditions mentioned in said permission.

Article 11—A section, 66 metres in length, of the Tallapiedra wharf, contiguous to the west side of the west wall of the prolongation of the Arsenal, is hereby set aside, for the exclusive use of the contractors during the term of this contract.

Said space shall be used for a wharf and for the loading and unloading of vessels or vehicles in said place, with the condition that the wharf is not used for the permanent storage of material, and solely for a point of loading and unloading and provisional storage, the contractors agreeing to remove material from said wharf at a proper time and with the proper diligence.

This permission is extended for the term of said contract, and the contractors shall use it solely for the uses and ends of fulfilling this contract, and for none other.

The use of all that portion of the parcel of land which is not now occupied and which belongs to the state, situated between San Pedro Street and a line drawn to the west and parallel to the front of the Hospital of San Ambrosio, from the northeast corner of the concrete platform for the washing of wagons of the Department of Public Works, situated in Factoria Street, and terminating in the outside wall of the annex of San Ambrosio Hospital, is also granted to the contractors, subject to the same conditions, as storage and deposit.

Article 12—The free use of the waters of the city is hereby granted to the contractors, with the reasonable restriction that the Chief Engineer may prescribe to prevent their loss.

Article 13—This Decree shall go into effect from its date.

CHARLES E. MAGOON,
Provisional Governor.

D. LOMBILLO CLARK,
Chief intern of the Department of Justice.

2.

THE CUBAN TELEPHONE COMPANY CONCESSION

This concession was upheld by the Supreme Court of Cuba on an appeal by an individual who attacked it as injuring his allegedly previously granted rights. It grants a franchise for long distance telephone service over the entire island, besides providing for local service in ninety-five of the principal cities and towns. The company has the option of acquiring all existing local concessions in other towns, thereby making its service exclusive.

PRESIDENTIAL DECREE NUMBER 945
Published in the Official Gazette of September 9, 1909.

Havana, September 9, 1909.

Whereas: The Cuban Telephone Company solicited the President of the Republic on April 19, of the current year, for authorization to establish and operate long distance telephone lines and systems and local lines and systems in and through the principal cities and towns of the six Provinces of the Republic, under the conditions comprehended in said solicitation; offering to put up a bond of $50,000, official money, to guarantee the fulfillment of the installation of the service within the promised time; and

Whereas: The President of the Republic, having delivered a special

Message to Congress, explaining the steps taken by the Executive and recommending the voting of a Law that would permit the authorization of long distance telephone lines, to bring about the uniting the six Provinces of the Republic with a modern telephone service, the Congress voted the Law that the Executive promulgated on July 18 of this year, and which went into effect the 19th of the same month, as Article 3 of the Law provided.

Considering: That according to Article 1 of the cited Law of July 18, whoever solicits it shall have the right to establish a long distance telephone line that unites all the principal towns of the Island, from which it is proper to act upon the petition presented by the Cuban Telephone Company, granting the authorization that the mentioned article concedes it; having heard the opinion of the Secretary of Justice, and in behalf of the Secretary of Government,

I RESOLVE:

In conformance with the provisions of the Law of July 18 of this year, to grant authority to the Cuban Telephone Company, a corporation, to establish and open to the public service local and long distance telephone lines in and throughout the cities and towns of the Republic listed below, subject to the following conditions:

(A) The Cuban Telephone Company obliges itself to establish and maintain local and long distance telephone lines and systems starting from this Capital as Central, to and through the following cities and towns:

Marianao, Arroyo Arenas, El Cano, Punta Bravo, Hoyo Colorado, Caimito, Arroyo Apolo, Arroyo Naranjo, Calabazar, Rancho Boyeros, Santiago de las Vegas, Rincon, Bejucal, San Felipe, Pozo Redondo, Batabano, Surgidero, Luyano, Guanabacoa, San Francisco de Paula, Cotorro, Cuatro Caminos, San Jose de las Lajas, Guines, La Catalina, Sabana de Robles, Guanajay, Artemisia, Candelaria, San Cristobal, Palacios, Paso Real Consolacion del Sur, Pinar del Rio, Vinales, San Luis, San Juan y Martinez, Guane, Empalme, Matanzas, Guanabana, Cidra, Sabanilla, Union de Reyes, Bolondron, Guira de Macuriges, Navajas, Jaguey Grande, Jovellanos, Cimarrones, Contreras, Mendez Capote, Cardenas, Perico, Colon, Macagua, Nordazo, Manacas, Santo Domingo, Sitiecito, Rodrigo, Sagua la Grande, Lajas, Cruces, Palmira, Cienfuegos, Camajuani, Remedios, Caibarien, Jicotea, Esperanza, Santa Clara, Placetas, Guaracabuya, Sancti Spiritus, Ciego de Avila, Sandoval, Moron, Camaguey, Nuevitas, Minas, Altagracia, Victoria de las Tuinas, Holtuin, Gibara, San Luis, El Cristo, Santiago de Cuba, Bayamo, Cauto, Veguita, Manzanillo, Guantanamo and Baracoa.

(B) The telephone service of the cities and towns referred to above, from Guane to Santiago de Cuba shall be established within two years from the date of authorization, and from Santiago de Cuba to Baracoa in one year more, with the understanding that the local service shall be subordinated to the installation and use of the long distance lines by the above mentioned towns and connected with said service.

(C) All the conductor posts that are used in the installation of telephones shall be placed where the proper Authority designates, and shall be perpendicular, light and strong, in accordance with the requirements of ornamentation, and at a height and with the necessary precautions that the wires cause no danger to life or property; and said posts, wires, and conductors shall be located anew, elevated, or removed, whenever the proper Authority orders it, on account of the construction of a building, or some other reason. In places where a subterranean system of conduits exists, if the Company establishes local service in them, it will locate its line underground.

(D) In all the telephone lines and their auxiliaries the most modern equipment shall be used, with any perfections that may come into use in the future, and said improvements shall be duly substituted with said purpose as the progress of the science improves the method of transmitting messages and signals between telephones.

(E) The Cuban Telephone Company shall have to pay the same taxes on territorial property, buildings and movable property comprehended in the authorization, as other persons or parties now pay or shall pay in the future, in accordance with the Law; and 4% of the annual gross receipts of the Company shall be paid into the Cuban Treasury, with the understanding that said percentage shall be paid in place of all the imposts on the authorization and utilities.

(F) The Cuban Telephone Company must install in each center of population where its service is open to the public, as many telephones as may be requested within 30 days of the corresponding petition.

(G) The maximum charges for telephone service in centers of population of less than 50,000 persons shall be adjusted to the following scale:

1—The subscribers that have telephones for domestic service with an individual metallic circuit and illimitable continuous local connections shall pay monthly in advance for each telephone a fixed price that shall not exceed four dollars.

2—The subscribers that have telephones in their stores, offices, and other places of business not open to the public, which have an individual metallic circuit with illimitable continuous local connections, shall pay monthly in advance a fixed price that shall not exceed six dollars.

In cities of 50,000 population the prices that follow shall hereafter be charged.

1—The subscribers that have telephones for domestic service with an individual metallic circuit and illimitable continuous local connections shall pay monthly in advance a fixed price not to exceed five dollars.

2—The subscribers that have telephones in their offices, or professional quarters not open to the public, which have an individual metallic circuit with illimitable continuous local connections, shall pay monthly in advance a fixed price that shall not exceed seven dollars, or, at the option of the Company, its successors, or lessees, in place of a fixed price there shall be paid not more than ten cents for each connection, with free hire of the apparatus.

3—The subscribers that have telephones in their stores, offices or other places of business open to the public which have an individual metallic circuit with illimitable continuous local connections, shall pay monthly in advance a fixed price not to exceed eight dollars, fifty cents; or, at the option of the Company, its successors, or lessees, instead of a fixed price, not more than ten cents for each connection, with free use of the apparatus.

4—The casinos, clubs, amusement places, hotels, cafés, theatres, or railway depots, where the public may use the telephones, which have an individual metallic circuit and illimitable continuous local connections, shall pay monthly in advance a fixed price that shall not exceed ten dollars, or, at the option of the Company, its successors, or lessees, instead of a fixed price, not more than ten cents for each connection, with free use of the apparatus.

The subscribers that have telephones for the use of several substations shall pay:

1—For each telephone, when there are two with one metallic circuit, they shall pay monthly in advance three-quarters of the price for an individual metallic circuit, and when there are three or more with one metallic circuit, each subscriber shall pay half the price of an individual metallic circuit.

For long distance service they shall pay:

1—For each connection outside the municipal limits of the local Central, the subscribers shall pay a price per message of three minutes or fraction thereof:

For 250 kilometres, three-quarters of a cent per kilometre.

For more than 250 kilometres, three-quarters of a cent per kilometre.

(H) The State may assume the exclusive management of the telephone system when it believes it convenient on account of war or serious disturbance in the public order. In such cases it may use all the personnel of said corporation.

(I) *The Cuban Telephone Company may not give local service within the radius of the concessions that at present exist, without the permission of the respective concessionaires; but it shall have the right to open to the public a station with long distance service and to locate private apparatus for said long distance service, as established in the cited Law of July 18 of the present year.*

(J) The Cuban Telephone Company shall install in the offices of the Government a long distance service with a discount of 50% of the rates charged to the public and comprehended in clause (G) of this Decree; and in towns where it gives local service it shall allow the Government free of all charges a number of telephones for local service equivalent to 2% of the paid apparatus in each local plant.

(K) The Cuban Telephone Company shall give a bond of $50,000 in official money to guarantee the fulfillment of the obligation of establishing the telephone service in and through the cities and towns designated in this Decree within the period fixed of two years and one year re-

spectively; and this having been fulfilled the bond shall be returned to it.

(L) *The designation of the cities and towns made in Clause A of this Decree must not be understood as limiting the long distance telephone system and lines hereby authorized, but it fixes the minimum of service that the Company shall establish in the fixed time, being able at all times to extend its service to other places in the Republic, besides those designated.*

1—The Government will watch and inspect by means of its agents the telephone service in all its parts, and the punctual fulfillment of the obligations that the Cuban Telephone Company contracts with the Government and with the public.

(M) *In case the Cuban Telephone Company obtains the permission referred to in Article 2 of the Law of July 18, 1909, from the concessionaires of local plants, and concessions are transferred besides, it shall pay the Government the value that the reversionable rights have at the time of the operation, and it shall do the* same in regard to the lines owned by the State; but it must acquire them at public sale.

(N) Authorizations like the present do not give the exclusive right for the establishment of telephone lines of this kind, uniting all the principal towns of the Republic, by virtue of the provisions of Article 1 of the Law of July 18, 1909, which is applied to this Decree.

(O) The preceding conditions shall serve in the future as rules for the execution of the mentioned Law of July 11 of the present year, to the State and to the Public.

Additional Disposition.

The Secretary of Government is placed in charge of the fulfillment of the present Decree.

Jose M. Gomez,
President.

F. Lopez Lleiva,
Secretary of Government.

3.

CONCESSIONS TO THE CUBA RAILROAD

This concession, one of many similar ones to the same American railway company, grants a subsidy almost twice the usual amount, and is noteworthy in that it gives the privilege being bid for to the lowest bidder. This is justified, in the reasons set forth in the concessions, by considerations that would not be taken into account usually, and which would, if logically applied, give the Cuba Railroad a monopoly of railroad trans-

portation in Cuba. This, indeed, was later bestowed by the Tarafa Law, to which reference has already been made.

(a) Presidential Decree Number 979

Published in the Official Gazette of October 23, 1914.

Having witnessed the Law of the Congress of the Republic sanctioned by the Honorable President of the Republic June 1, 1914, which says:

"Article 1—The Law of July 5, 1906, shall be amended as follows:

"The subsidy per kilometre for the construction of a railway from Casilda to Placetes del Sur shall be six thousand dollars from Casilda to Fernandez and twelve thousand dollars from Fernandez to Placetas del Sur, connecting precisely in the triangle formed by the lines of the Cuban Central with those of the Cuba Railroad.

"In the Contract it shall be written that the company concessionaire shall be obliged to transport gratis over the lines of this railway, public correspondence with a fifty per cent reduction in its tariffs for government transportation; it shall also be obliged to allow the Government to place whatever telephone and telegraph posts it deems convenient alongside the line.

"Article 2—*The plants, buildings, and materials in the possession of the State, that can be advantageously used in the line referred to shall be granted to the corporation that carries out the work,* provided it obliges itself to commence it from both extremities and to complete it within a term of three years.

"Article 3—This Law shall take effect from its publication in the Official Gazette of the Republic and the convocation for the construction shall be made within three months of said publication."

Having also witnessed the Law of July 5, 1906, Order 34 (The Railway Law) of February 7, 1902, and the convocation of the Honorable Secretary of Public Works, of July 27, 1914, which says:

"Article 1—To auction at public sale the construction of the Railway from Casilda to Placetas del Sur connecting precisely in the triangle formed by the lines of the Cuban Central with those of the Cuba Railroad; and in consequence, the corporations or individuals who wish to construct said line are requested to present to the Secretary of Public Works, at or before 2:30 P. M. on September 30, 1914, their sealed propositions, enclosing and explaining in them the conditions and advantages which they offer the State and the manner in which they propose to affect said construction of the railway in accordance with the effective provisions of the law, and taking into account all and each one of the circumstances and conditions established in each one of the Laws previously referred to in connection with the construction of this line.

"Article 2—The propositions shall be opened and read aloud in the presence of the petitioners, in the office of the Secretary of Public Works, which shall present an account in a report to the Honorable President of the Republic for the adjudication of the work to the Com-

pany or individual who may offer the most advantageous terms to the State, or to reject all the propositions presented," and

Resulting: that on said 30 September, 1914, at the indicated hour, the following propositions were opened and read:

One signed by Mr. Juan G. Velarde, as follows:

"Havana, September 28, 1914.

"Honorable Secretary of Public Works.

Sir:

"In complete accordance with the convocation of July 27, 1914 of this year, published in the Official Gazette of August 4, for the construction of a railway starting at Casilda and ending at Placetas del Sur and connecting precisely in the triangle formed by the lines of the Cuban Central and the Cuba Railroad, I come to present studies, plans, and propositions for the construction of this railway, accommodating myself in doing so, only to the terms on which this convocation has been made, and to the precepts of legal character contained in the resolution referred to of July 27 of this year.

"Hereafter, to avoid all possible equivocation, I must call attention to the fact that in the resolution referred to above, both individuals and corporations are convoked in the same manner, to explain in said propositions the conditions and advantages that they can offer the State, and the manner in which they propose to construct the railway, in accordance with the corresponding applicable provisions of the law, provisions contained in the Railway Law, without for a moment requiring, according to the clear meaning of the text, anything else than these requirements enumerated therein.

"And I am interested, above all, in calling attention to this circumstance, to assure my rights within the probable contingencies and appeals inherent in this public sale.

"The writer of this letter has obtained at a certain price not only the plans and studies already consummated for the Trinidad Railway but what is more, the contracts of gratuitous cession of the necessary land for the construction of the railway from Casilda to Placetas del Sur, which place him in a better position than any other to offer better advantages to the Government with respect to the railway referred to.

"It is useless to recount in this place the already consummated labors of the surveys and planning of this Railway, the free cession of the portion of land necessary between Trinidad and Placetas del Sur, and the hazard that this railway has signified to some of the persons who have become concerned in it; it is sufficient according to the terms of the convocation to fulfill the requirements for participating in the sale, casting aside considerations of any other kind.

"I come then to the sale, offering the following conditions:

"A—I accept all the obligations imposed in the beginning of the resolution of June 27 of this year, and promise to fulfill each and every one of them.

"B—Having obtained the adjudication of the sale of the Railway, I

oblige and compromise myself to fulfill within the period agreed upon, the provision of Article 1, Chapter IV, of the effective Railway Law, something not required in the convocation nor logically to be required as long as none of the propositions presented at the sale have been accepted by the State.

"C—In the same way I bind myself to fulfill the provisions of number XII, Chapter IV referred to of the cited Railway Law, once the sale has been adjudicated to me, beginning the labors of construction of the railway line simultaneously at Trinidad and Placetas del Sur.

"D—*I offer to construct the railway with a subsidy of five thousand dollars per kilometre from Casilda to Fernandez and eleven thousand from Fernandez to Placetas del Sur, with the other conditions of the convocation.*

"E—*I offer to deliver the constructed railway to the State after ninety-nine years of operation from its completion, to hold it as its own, as government property.*

"F.—I promise to employ at least seventy-five per cent Cuban laborers in the work of the construction of the railway.

"G—I accept and promise to strictly fulfill the provisions and regulations of the Law of July 5, 1906, of the Resolution of July 27, 1914, and of the effective Railway Law.

"H—I shall hold myself to all the technical conditions required for the construction of the railway by Chapter X of the effective Railway Law, which I reproduce herein in all its pertinent parts, so as not to make this document too long.

"Within the conditions expressed and those required in the Resolution of July 27, 1914, in the Law of June 1, of the same year, the Law of July 5, 1906, and in the effective Railway Law, I participate in this convocation and sale, offering to construct the railway from Casilda to Fernandez, and from Fernandez to Placetas del Sur, and should the sale be made to me, if no proposition is more favorable to the State than mine, then within the period of time decreed, I shall fulfill all the provisions contained in Chapter IV of the already mentioned Railway Law and which are not thereafter required in the convocation, this fulfillment pending the adjudication of the sale to the best bidder, as no one may logically or legally propose to build a railway within these limits without previously having obtained the right which sale alone can give him.

Very respectfully yours,

JUAN G. VELARDE."

Another signed by Mr. Jose Antonio Gonzalez Lanuza, in representation of the Cuba Railroad Company, as follows:

"Havana, 30 September, 1914.

"Secretary of Public Works,
Sir:

"Jose Antonio Gonzalez Lanuza, Lawyer, representing The Cuba Railroad Company, with respect to Article III, Chapter XVIII, of Order number 34 of February 7, 1902, declare:

"First—That the Cuba Railroad Company is a public service railway company duly inscribed in the register of the Railway Commission, in conformance with the dispositions of Article 1—Chapter IV, of Order 34 of 1902, which I attest with a certificate issued by said Commission, attached hereto.

Second—That said Cuba Railroad Company has invested me with special power of which I attach a legalized copy, authorizing me to make an offer to the Executive of the Republic of Cuba with respect to the construction of the railway from Casilda to Placetas del Sur, referred to by the Resolution of July 27, 1914, published in the Official Gazette number 28, of August 1 of the same year, convoking the companies desirous of constructing said line with the end that at 2:30 P. M. on September 30, 1914, they should present the propositions under seal in this Department.

Third—That the Company I represent being desirous of constructing the railway on the terms and conditions indicated by the Law of June 1, 1914, in relation with the Law of July 5, 1906, I formulate in continuation the following:

PROPOSITION:

"1—The Company I represent is disposed to contract with the Executive the construction of the Railway from Casilda to Placetas del Sur, connecting precisely within the triangle formed by the lines of the Cuban Central and the Cuba Railroad, the latter line being owned by the Cuba Railroad Company, *provided it is conceded the subsidy of six thousand dollars per kilometre from Casilda to Fernandez and Twelve thousand dollars per kilometre from Fernandez to Placetas del Sur.*

"2—In the contract it shall be stated that the Company I represent shall be obliged, once this line has been opened to public service, to transport gratis the public correspondence, with a reduction of 50% of its tariffs for other government transportation; similarly it shall be obliged to permit the telegraph and telephone posts that the Government deem convenient to be placed alongside its lines.

"3—The Company I represent obligates itself to commence the work from both termini, and to complete it in not longer than three years, provided the Government cedes it the plants, buildings and materials in the power of the State that may be advantageously used in the line referred to.

"4—The line shall be constructed with steel rails of sixty pounds per yard and shall be of standard gauge, that is to say, four feet, eight and a half inches.

"5—Bridges over the principal rivers shall be of steel.

"6—The construction of the railway shall be effected in accordance with the applicable provisions of the law, and taking into account each and every one of the circumstances and conditions which in relation with the construction of this line, are established in each of the Laws referring to it.

"7—The route of the line shall pass (according to the plans made)

through Guaracabula, Baez, Fomento, Sopimpa, El Condado, besides passing through Trinidad, and in the future stations shall be established in the places indicated above, once the surveys are definitely concluded.

"8—The length of the line shall be very near (according to the surveys made) ninety-one kilometres, from the connection at Placetas del Sur to the end of the old line in Casilda.

"9—It shall be stipulated that the part of the line that the Company I represent has at present under construction, from Placetas del Sur to Fomento, shall be included in the benefits of subsidy, in conformance with the provisions of the second paragraph of the Law of July 5, 1906.

"10—The Company I represent obligates itself, within the term of one month from the date on which the construction of the work is granted it, to present the plans, give its bond, and fulfill the other requirements of Chapter X of Order 34 of 1902, in accordance with the Law of July 5, 1906, and immediately these obligations are fulfilled, it shall formalize the corresponding contract.

"For all of which in representation of the Cuba Railroad Company, I come to petition the contract for the execution of the work be granted to the said Company, accepting these propositions on the terms stated.

"Truly yours,

(Signed) J. A. Gonzalez Lanuza."

Resulting: That the two propositions presented fulfill the condition of the convocation, and are adjusted to the stipulations of the Law of June 1, 1914, and July 5, 1906, except the proposition of Mr. Velarde in one of its articles in which he acts against the provisions of Article XV of Chapter IV of Order 34 of 1902, as further explained; whereupon it is fitting to make a comparison of the same.

Considering: That although for the purpose of the sale neither the presentation of the plan nor the fulfillment in advance of the other obligations contained in Chapter X of Order 34 of 1902 was necessary, nevertheless in considering the plans of the route presented by Mr. Velarde it must be considered that said plans were presented by Mr. Hugo M. Loubiere to the Railway Commission and disapproved by the Commission according to the report of the Inspector of Railways.

Considering: That the offer of Mr. Velarde to deliver the railway referred to to the Government at the end of ninety-nine years of operation is illegal, for it is opposed by Article XV of Chapter IV of Order 34 which provides that neither the State, nor the Province, nor the Municipality may have any kind of anticipatory right in the property of any railway company, by virtue of which said offer is not admissible.

Considering: *That the proposition of Mr. Velarde as to the amount of subsidy is more favorable to the State since the latter would pay a total according to it of ninety thousand dollars less than if it accepted the proposition of the Cuba Railroad Company;* this constituting a real and positive advantage but limited to a single payment and in a space of time relatively short.

Considering: that in making a comparison of the propositions it is

necessary to keep in mind the provisions of Article 6 of the Law of July 5, 1906, which expresses a preference to that individual or company whose project or other technical or economic conditions the Executive considers most advantageous to the general interests of the public.

Considering: *that opposed to the advantage of lower subsidy offered by Mr. Velarde, other conditions exist which are more in favor of the public interest, and which favor the proposition of the Cuba Railroad Company, to wit:*

If the subsidy is granted to Mr. Velarde, the railways shall be constructed and operated by an independent company.

If the subsidy is granted to the Cuba Railroad Company, the railway shall be a branch of an extensive and uniform system.

The independent railway shall be of local interest only, it shall have all its special expenses of administration, shops, exclusive rolling-stock, etc. all of which must be paid almost exclusively by the shippers in the zone of Casilda to Placetas with relative prices necessarily high for local transportation, with the impossibility of establishing understandings or favorable combinations with its rival, the Cuba Railroad Company.

This disadvantage is notable in the following lines, which are situated in like circumstances; Gibara and Holguin Railroad, Guantanamo Railway, Tunas and Sancti Spiritus Railway.

On the other hand, if the line be considered as a branch of the Cuba Railroad Company, not only would there be a general reduction in the charges mentioned above for being distributed over the entire system, but an immensely wider and richer country would be opened to the producers of the zone in question.

A similar case is that of the branch of the Cuba Railroad from Alto Cedro to Antilla: since this line crosses a much richer zone than that of Casilda to Placetas, with its terminus at the magnificent bay of Nipe on the North Coast, the advantages it would bring to its locality would be practically none if it were an independent railway that had to depend on its own shipping, whereas today its importance and transcendency are famous throughout all the Republic as a branch of the principal artery.

For a better example of this line as a branch compared with the same as an independent line, it is fitting to cite the developments of the past few years during which great plantings of cane were made on the route of the Cuba Railroad Company, from Ciego de Abila to Santa Clara in excess of the capacity of the Centrals established in the zone of said railway, these plantings of cane remained unmilled despite steps taken to send them to other Centrals established along the lines of the Cuba Railroad, and this was due precisely to the enormous difference in tariffs between the local carriers and in combination with other companies, and also on account of the difficulty in providing the necessary rolling stock; and this, precisely would be due to occur on the line from Casilda to Placetas should it be constructed and operated by an independent Company; in this concept, the plantings of cane, for example, planted in its zone, would have to be milled only in the Centrals existing on that line, for the reasons before expressed, while if it should be

a branch of the Cuba Railroad Company, these plantings of cane could be milled, not only in the Centrals of the district, but also in any other comprehended within the lines constituting the system of the Cuba Railroad Company, on equal conditions and advantages.

Considering: that the benefits that would be derived for the general interests and the private interests of this district would be much greater than the existing difference of ninety thousand dollars between the two propositions presented, granting the Cuba Railroad Company the greater subsidy and having the line constructed as a branch instead of paying the lesser subsidy and having the line constructed by an independent Company.

Considering: *that although in the announcement of the sale no guarantee was asked, it is nevertheless fitting to compare the situation of both petitioners, whereupon it appears that should the subsidy be granted Mr. Velarde, he should have to proceed now and organize a company and raise the necessary capital, a very difficult thing and almost impossible under the present circumstances, due to the poor world-wide financial situation, which would surely postpone, perhaps indefinitely, the commencement of the work.*

On the other hand the Cuba Railroad Company is already organized, and has part of the line already constructed, and obligates itself to commence the work within a month of contracting it; it is, in addition, the Company which has constructed the greatest number of railways in the territory of the Republic in the least time, the same Company having entered into other contracts of the same kind with the Executive, which have been duly fulfilled.

Therefore:

I RESOLVE:

To adjudicate to the Cuba Railroad Company the construction of the Railway from Casilda to Placetas del Sur, in accordance with the Law of June 1, 1914.

The Secretary of Public Works is charged with the fulfillment of this Decree.

Given in "Duranona" October 19, 1914.

M. G. Menocal,
President.

Jose R. Villalon,
Secretary of Public Works.

(b) Presidential Decree Number 617

Published in the Official Gazette of May 17, 1915.

Whereas: By the Law of July 5, 1906, this Executive was authorized to grant gratuitously to the lines subsidized by that law, the portion of territory for their right of way that happened to be state land.

Whereas: According to the Law of June 1, 1914, manufacturing plants, buildings, and materials in the possession of the State usable in the lines of the railway from Casilda to Placetas del Sur shall be granted

to the enterprise that consummates the work, provided it is agreed to start it from both ends and to complete it within three years.

Whereas: The construction of this line was undertaken by the Cuba Railroad Company by Decree of October 19, 1914, the Company concessionaire having obliged itself to present the plans, give its bond, and fulfill the other requirements of Chapter X of Order 34 of 1902, in accordance with the Law of July 5, 1906, and immediately these obligations were fulfilled, the corresponding contract would be formalized.

Whereas: The cited Company has obliged itself to commence said line from both extremities and to complete it within a period of three years, and has fulfilled all the requirements, having presented its bond, and the plans.

Now, therefore, making use of the powers granted me by the Constitution, and in behalf of the Secretary of Public Works,

I RESOLVE:

That this Executive contract with the Cuba Railroad Company the corresponding contract of subvention, *in which the gratuitous cession of land necessary for the line and of plants, buildings, and materials in the possession of the State usable in the railway line from Casilda to Placetas del Sur,* shall be made.

The Secretaries of the Treasury and of Public Works are charged with the fulfillment of this Decree in what concerns each respectively.

Given in the Presidential Palace in Havana, May 13, 1915.

M. G. Menocal,
President.

Jose R. Villalon,
Secretary of Public Works.

4.

MEXICAN OIL LAND CONCESSION

Department of Industry, Commerce, and Labor.

Petroleum Section.

Concession granted by the Executive of the Union, represented by C. Leon Salinas, Secretary of Industry, Commerce, and Labor, to the Petroleum Company of Sonora, Incorporated, for the exploration for petroleum in the zones specified in the first clause of this concession, and for the exploitation of deposits of petroleum or hydrocarbons that are discovered in the zones referred to in the second clause of the same.

FIRST—*The Petroleum Company of Sonora, Incorporated, hereinafter called the concessionaire, is authorized, without prejudice to a third who may have a better right, to carry out, for a period of four*

years from the date of this permission, labors of surface exploration for petroleum on the subsoil of lakes, lagoons, gulfs, national territories which may be unoccupied or those whose title of property leaves the subsoil rights to the Federal Government; as well as on the beaches, maritime zone, and federal zones, margins and beds of rivers, streams, marshes, and bays of federal jurisdiction: within the Districts of Hermosillo, Guaymas, Alamos, and Altar, of the State of Sonora, with the exception of a square, sixty kilometres on each side, which is in the center of one of them, the place called Point Tepoca on the shore of the District of Altar, situated with two sides parallel to the general coast line.

SECOND—At the end of the first two years of the period mentioned in the preceding clause, the Concessionaire shall be obliged to withdraw from the Districts of Hermosillo and Guaymas, reserving the parcels of land that it may have decided to exploit; at the end of the third year, it shall be obliged to withdraw from the District of Alamos; and at the end of the fourth year it shall be obliged to withdraw from the District of Altar.

At the close of each period of time of the three mentioned, the Concessionaire must have presented to the Department of Industry, Commerce, and Labor, a statement in which shall appear all the allotments which the same Concessionaire wishes to reserve for exploitation, with their respective locations.

THIRD—The Concessionaire is authorized to elect, within each of the periods of time marked in the preceding clause, the precise places in which it proposes to drill wells, and in that case *shall have the right, which is conceded it, for each place designated, to an area in the form of a square of two thousand hectares and whose center is precisely the place designated for the well.*

If any or part of the allotments of two thousand hectares should be on private property, *the Concessionaire shall have the right to denounce the part of the private property which may be necessary,* respecting the preferences established by the Petroleum Law.

FOURTH—*Once the allotments of two thousand hectares which it intends to reserve are chosen by the Concessionaire, and their location approved by the Secretary of Industry, Commerce, and Labor, the Concessionaire may drill within each allotment the number of wells which it believes proper after the corresponding authorization has been requested for each well, from the Secretary of Industry, Commerce, and Labor.*

FIFTH—*For a period of twenty years from the date of this concession the Concessionaire shall have the right to carry out all kinds of petroleum exploitation in the places selected in conformance with the preceding clause.*

SIXTH—The Concessionaire is obliged to begin the labor of drilling at the latest within the fifth year of the life of this concession.

SEVENTH:—At the expiration of the term referred to in the preceding clause and the labor once begun, the Concessionaire shall be

obliged to drill one productive well each year at the least, or to drill one thousand metres.

EIGHTH—*The Concessionaire is obliged to pay the Federal Government, as its share, ten per cent of the gross production of petroleum of each one of its wells,* and as long as petroleum is found in any of the wells drilled in each allotment, *the Company shall pay the Federal Government five dollars annually per hectare.*

The payment of this share shall be made in specie or metal, as may suit the Government, the Concessionaire holding itself subject to what the corresponding laws and regulations dispose in this matter.

NINTH—At the end of the period of twenty years referred to in the Fifth Clause, a new concession may be granted on conditions dictated by the Executive, and in this case the present Concessionaire or its successor shall enjoy the right of preference provided it has fulfilled in a satisfactory manner the obligations imposed on it by this Concession.

TENTH—If the new concession should not be granted to the present Concessionáire or its successor, it may, the one or the other, as may be the case, take away its installations, leaving to the Federal Government the wells in the process of being drilled as well as the productive ones in a condition of perfect and immediate utilization.

ELEVENTH—The Concessionaire shall guarantee the fulfillment of the stipulations of this concession with a deposit of $5,000, national gold, which it shall deposit in the General National Treasury within fifteen days of the date of this concession; with the understanding that if such deposit is not made, this concession shall not go into effect.

TWELFTH—The periods indicated in this concession shall be suspended in case of accident or unforeseen circumstances which directly and positively impede the fulfillment of the stipulated obligations, the Secretary of Industry, Commerce, and Labor having the power in such cases to prolong the periods by the time that may be considered necessary.

In order that the Concessionaire may use this privilege it shall justify before said Secretary the accident or case of unforeseen circumstances that has impeded or which impedes the fulfillment of its obligations, presenting the respective proofs. The notification and the justification before the Secretary of the case of accident or unforeseen circumstances must be made by the Concessionaire within one month of the date of such case.

THIRTEENTH—The Concessionaire is obliged to carry out its labors of exploration and exploitation subject to all the conditions dictated by the Executive through the Department of Communication and Public Works, Department of the Treasury and Public Credit, and the Departments of War and Marine, in respect to matters falling within their jurisdiction.

FOURTEENTH—*The Concessionaire agrees to invest in labors of exploration within a period of seven years from the date of this concession, the sum of one million dollars, national gold, this obligation taking*

effect as long as no petroleum is found, and the Secretary of Industry, Commerce, and Labor having the power to recognize, through whatever medium he deems opportune, said expenditure.

FIFTEENTH—At the close of the two year period conceded for the Districts of Hermosillo and Guaymas, the Concessionaire may explore these same Districts without any preference whatsoever for three years more; at the end of the three year period conceded for the District of Alamos, the Concessionaire may explore the same District without any preference whatsoever for two years more, and at the end of the four years conceded for the District of Altar, the Concessionaire may explore this last District without preference whatsoever for one year more. *If, within any of these additional periods, the Concessionaire should find some free land suitable for its exploitation, that land shall be included in this same concession and shall be subject to all the stipulations indicated herein.*

SIXTEENTH—In case the labors of exploration, or subsequently, those of exploitation, should result in the discovery of a petroleum well with a total daily production of four thousand cubic metres at the minimum, for the period of one year, the Concessionaire shall be obliged to install a petroleum refinery, wherever it may itself choose within the Mexican Territory.

In matters appertaining to the installation of said refinery the Concessionaire shall send to the Department of Industry, Commerce, and Labor, for its approval, plans for its situation, and all details, accompanied by the rest of the documents which the applicable provisions require, said work being subject thereafter to all the provisions that rule such matters.

SEVENTEENTH—The Concessionaire shall have the right:

A—To have rented to it under the same conditions as the general public, the part of the beaches and federal maritime zones which it needs to carry out the labors of exploration and exploitation to which this concession refers.

B—To lay out pipe-lines which conduct petroleum from the wells to the nearest storing places.

EIGHTEENTH—*The concessionaire shall also have the right of expropriation, in conformance with the dispositions of the corresponding laws.*

NINETEENTH—In no case may the Concessionaire mortgage or in any way pledge this concession or any of the rights or privileges contained in it, to foreign corporations or governments, nor may it admit them as associates, any operation made in this sense being declared null and void.

The Concessionaire may transfer this concession to an individual or corporation organized in conformance with the laws of Mexico, with previous notification to this Department, this obligation being permanent for all companies that in the future or in any manner acquire this concession.

TWENTIETH—The Concessionaire is obliged to render annually to the Department of Industry, Commerce, and Labor, a report on the production of the well or wells drilled, on the contracts that it enters into in relation to their production, as well as a general statement of the works executed during the past fiscal year, expenses of exploration and exploitation, general balance, statistics of production, and all the other data designated by said Department. This report should be rendered within two months of the close of the year to which it refers. Failure of fulfillment of this obligation shall be punished by a fine of one hundred to five hundred dollars, according to the gravity or frequency of the omissions, at the discretion of the same Department.

TWENTY-FIRST—The Executive may declare administratively the forfeit of this concession for any of the following reasons:

(a) Failure of the Concessionaire to submit to the dispositions of new laws or regulations on petroleum;

(b) Failure to make the payment referred to in the eighth clause for a period of one year;

(c) Failure to begin the labors of drilling within the period indicated in the sixth clause;

(d) Failure to submit to the conditions imposed by the Departments of Communication and Public Works, Treasury and Public Credit, and War and Marine for the execution of the work within the indicated period;

(e) Failure to make the expenditure stipulated in the fourteenth clause;

(f) Failure to comply with the nineteenth clause;

(g) Establishment of proof that the Concessionaire, or its successors, is guilty of financial irregularity, in matters appertaining to the works of exploration and exploitation referred to in this concession.

TWENTY-SECOND—In all cases of forfeiture, the Concessionaire shall lose the deposit of guarantee and the privileges that this concession confers; the productive wells and ones in process of drilling, passing to the ownership of the Federal Government.

If the present concession should be transferred to any foreign corporation, state or government, or if one of these is admitted as associate, the Concessionaire shall lose, besides the guarantee and its privileges, all the property which it has and all installations it may have executed in relation with the executed labors.

Before making the definitive declaration of the forfeiture of this concession, the Department of Industry, Commerce, and labor, shall indicate a period of sixty days in which the Concessionaire may present its defense.

TWENTY-THIRD—This concession is granted with the understanding that the Concessionaire shall hold itself subject to all that new laws and regulations on petroleum may provide in regard to it.

TWENTY-FOURTH—The taxes (stamp) borne by this concession shall be for the account of the Concessionaire.

Issued in duplicate, in the City of Mexico, on March twelfth, nineteen hundred and twenty.

LEON SALINAS,
Secretary of Industry, Commerce, and Labor.

CHESTER H. WESGOLL,
for the Petroleum Company of Sonora, Inc.

Note: The above concession has been translated from the Spanish, published by the Department of Industry, Commerce, and Labor, in separate pamphlet form, in Mexico. The original Spanish is on file at the office of the American Fund for Public Service, 70 Fifth Avenue, New York.

III. BROWN BROS. & CO. AND J. AND W. SELIGMAN & CO. LOANS TO NICARAGUA: A CLOSED EPISODE

Prior to 1910 Nicaragua's debt record was a clear one, nor had any of its few loans been placed in the United States. In 1909 a bond issue for several millions had been made to the "Ethelburga Syndicate" of London, interest payments on which defaulted during the following year owing to a revolution that deposed President Zelaya, dictator of the Republic for over a decade. The United States Government gave its recognition to the government set up by the Revolutionists, and a treaty was negotiated between both governments providing for United States supervision of the liquidation of claims against the Republic which included several indemnity items besides interest on the 1909 bonds. The treaty further provided for the establishment of a new and stable currency, and approved the issue of bonds to the amount of fifteen million dollars to an American banking group to finance these operations. The Republic negotiated this loan with the firms of Brown Bros. & Co. and J. and W. Seligman & Co. of New York.

The American Congress, however, adjourned without approving the treaty, which never, indeed, secured ratification. The Republic and the bankers, nevertheless, in the expectation that the treaty would be ratified in a subsequent session, and wishing to obtain an immediate loan for the relief of the pressing financial situation of the country, contracted the Agreement on Gold Treasury Bills, text of which follows. This provided for the issue of $1.5 million par value of short-term Treasury Bills which the bankers would buy at a price considerably below par. The entire product of the loan was to be kept by the Trustee as security, except as its expenditure was disposed in the contract. With part of the product, the Republic was to subscribe to the stock of a

National Bank to be established according to a contract appended to the Agreement as Schedule C, and the shares bought by the Republic were to be kept and voted by the Trustee. The directors of the Bank would be appointed by the bankers; all the expenses of corporation were to be defrayed by the Republic. Schedule C, the Bank contract, also provided that a study of the monetary conditions of the country would be undertaken by a committee appointed by the bankers, at the Republic's expense, and that its recommendations for the establishment of a currency would be followed by the Republic through the National Bank. Part of the product of the Bills was assigned to a fund for this purpose until the Banking and Monetary Fund to be created out of the larger loan was available. The Bank was to be sole depository of the Republic, with the power to issue notes.

Further security for the loan was provided through the appointment by the bankers with the approval of the Secretary of State of the United States, of a Collector General of the Customs, and this Collector General was to remit *all* customs receipts to the Trustee, where the Minister of Finance might draw on them. Finally, the bankers obtained an absolute option for the $15 million loan, and might declare Schedules B and X, contracts for the service and issuing of this loan, into effect at their will within thirty days of the ratification of the treaty. If the treaty were not ratified within five years, the bankers would have an option on all future loans of the Republic for this period. The bankers were also irrevocably authorized to negotiate a settlement of the Ethelburga claims, and the Republic was bound to their agreements with the foreign bondholders.

Although the treaty was never ratified and consequently the loan for $15 million was never made, it is interesting to examine under what terms it would have been issued. Schedule B, contract of trust and fiscal agency, outlined these terms. The bonds were to constitute a lien on all the customs revenues which would continue to be collected by the Collector General appointed by the bankers; the bonds were also a lien on the government-owned railway and on a new railway to be built out of the Railway Fund, created out of the loan. This latter security would be

waived by the bankers if they should exercise their option, conferred in Schedule D, to build the new railway themselves. The government railway, however, would be managed by an Administrator General appointed by the fiscal agent and this official would remit all profits of the railway to the Trustee in case of default of the loan.

The product of the loan was to be divided into six funds. Article 7 of Schedule B, which deals with these dispositions, is printed below. Fund A was to settle the Ethelburga debt according to an agreement to be reached by the bankers and the bondholders. Fund B was to settle a claim of the United States against Nicaragua, a claim which Brown Bros. was greatly interested in as a later contract of 1917 shows. Fund C provided means for the settlement of claims, according to judgments given by a Mixed Claims Commission, two of whose three members were to be Americans. Fund D was the Banking and Monetary Fund, already referred to, more or less under the management of the bankers. Fund E was the Railway Fund, out of which were to be paid any expenses incurred by the bankers in making surveys, etc., of the projected new railway to determine whether or not they would exercise their option to build it themselves. Fund F was a General Fund which provided for the payment of the bankers' services, and any remainder of which was to be expended in public works approved by the fiscal agent. All the product of the loan would remain with the Trustee as security, until called for for its specific purpose.

The Railroad Concessions, printed below as Schedule D, conferred an option to the bankers for the construction of the new extensive system on the basis of a 99-year free lease, and other auxiliary concessions such as electric power and telegraph. The Republic was to pay half the cost of construction, and unusual privileges were granted the Company to be formed. Timber might be taken from the national forests, customs exemptions on any importations were allowed, and the Republic ceded, free, a strip of 100 metres on either side of the tracks. Further land grants of 335 acres were to be made for each kilometre of railway constructed as well as for each station and kindred works. One

hundred acres were granted to the head of every family of laborcolonists imported. Further grants and the full details of those given here will be found in the contract, which follows.

(1) AGREEMENT ON GOLD TREASURY BILLS

Agreement entered into in the City of New York, September 1, 1911, between the Republic of Nicaragua which shall be referred to hereafter as "The Republic," on the first part; and on the second part Brown Bros. & Co. and J. and W. Seligman & Co., copartnerships with business established in the City of New York, who shall hereafter be referred to as the "Bankers."

WHEREAS, *on June 6, 1911, a treaty was entered into between the United States of America and the Republic of Nicaragua, which Treaty was duly ratified by the Nicaraguan Congress on June 14, 1911, and is at present pending the resolution of the Senate of the United States which ended its session August 20, 1911 without having taken action on the above Treaty, and which shall not reconvene until December 4, 1911; a copy of which Treaty marked "Schedule A" is annexed to this document; and*

WHEREAS, among other things the Republic recognized in the said Treaty the necessity of obtaining a loan, of a fitting sum, proportionate to the national needs; and in the said Treaty stated that the Republic wished the cooperation of the United States in funding its debt and placing its finances and administration on a solid stable foundation in order to be able to fulfill its obligations and to assure tranquillity, prosperity and progress throughout the country, *and that the government of the United States and that of Nicaragua were persuaded that a contract which would furnish the advantageous, just* and equitable consummation of that object, should be negotiated with some competent and responsible American banking group; and

WHEREAS, the Republic, in conformance with the Treaty, wishes to enter into a loan contract for the funding of its internal and external debts, for the adjustment and regulation and liquidation of its floating claims, for the placing of its finances on a solid and established foundation, and for the future development of its national resources and economies; *and in the said Treaty there was a provision that the governments of the United States and Nicaragua would take due notice of all the dispositions of the said contract when it should exist; and arbitrate, in case of any difficulties, in order to faithfully fulfill the dispositions of the said contract, in a manner that at the same time assures the benefits to Nicaragua as much as the guarantee of the loan;* and

WHEREAS, in anticipation of the favorable resolution of the Senate of the United States of the ratification of the said TREATY by the President of the United States and of the exchange of ratifications by both contracting parties to the said Treaty, the Bankers referred to, on June 21, 1911, in answer to the solicitations of the Republic made a signed

offer for the purchase of bonds for $15 million on specified terms and conditions, which offer was made subject to various conditions, among which were the ratification of the Treaty referred to in "Schedule A" before September 1, 1911, and continued in force up to the adjournment of the Congress of the United States; and

WHEREAS, in anticipation of the favorable resolution of the Senate of the United States at a future date, the ratification of the said Treaty by the President of the United States, and of the exchange of ratifications by both contracting parties to the said Treaty, the Republic has authorized today a contract with the United States Mortgage and Trust Co. as Trustee and with Brown Bros. & Co. and J. and W. Seligman & Co. as Fiscal Agent, stipulating the issue of $15 million nominal value of the bonds that shall be called 5% Customs Administration Gold Bonds, a copy of which contract marked "Schedule B" is annexed to this document; and

WHEREAS, while the President of the United States has not ratified the said Treaty and while the contracting governments have not exchanged ratifications of the same, *the Republic wishes to obtain the benefits that will be derived from (1) the establishment of a National Bank, according to the provisions in Paragraph 4 of the Agreement, "Schedule X" and in insert (d) of Section 2 of Article 7 of the Contract "Schedule B," (2) the introduction of a plan for monetary reform according to the provisions in Paragraph 5 of the Agreement "Schedule X" and insert (d) of Section 2 of Article 7 of the Contract "Appendix B," and (3) the collection of its customs receipts according to the provisions in Article 3 in the Contract "Appendix B";* and

WHEREAS, the Republic also wishes to obtain the immediate cooperation of the Bankers, in order to effect the regulation and adjustment of the differences that have arisen between the Republic and the "Ethelburga Syndicate, Limited" of London; and

WHEREAS, in order to provide means for the immediate establishment of the said Bank and for the introduction of the said project for monetary reform, the Republic intends to issue its Gold Treasury Bills up to the sum total principal of $1.5 million in gold of the United States, which will be guaranteed according to this Agreement; and

WHEREAS, the Republic wishes to sell the above mentioned Gold Treasury Bills, and the Bankers, in answer to the solicitations of the Republic, have made an offer that continues in effect until October 20, 1911, for the purchase of the said Bills under the conditions expressed beforehand, granting in consideration of the said offer, an option (among other things) in favor of the Bankers on $12 million nominal value of the issue of bonds referred to (the Republic reserving the right to increase this sum to $15 million), which option is consigned to an Agreement, a copy of which, marked "Schedule X," is annexed as an integral part of this document;

BE IT RESOLVED, in consideration of the foregoing and the reciprocal obligations that are stipulated hereafter that the following is agreed to:

ARTICLE ONE

Immediately upon the contraction of this Agreement, and *before October 15, 1911, the Republic will obtain the due ratification and approval by the Congress of the Republic, of this Agreement, of the Contract "Schedule B," of the Agreement "Schedule X" and of the Banking and Railway concessions mentioned in the last named Agreement and collated in "Schedule C" and "Schedule D" respectively*, all of which schedules are annexed to this Agreement. And the Republic agrees, in addition, at the solicitation of the Bankers and within the period that the Bankers may deem necessary, to the promulgation by the Republic from time to time of whatever legislation may be required, in the judgment of Bankers' counsel, for the full authorization and legalization of the said Agreement "Schedule X" of the Contract "Schedule B" and the Banking and Railway concessions, etc. The Republic agrees, in addition, to do, at the solicitation of the Bankers, in accordance with the judgment of Bankers' Counsel, and within the time that the Bankers may deem necessary, all that may be necessary for the legal issuing of the said Bonds in accordance with the terms of the Contract "Schedule B" referred to.

ARTICLE TWO

The Republic will issue its Gold Treasury Bills, which hereafter for the sake of brevity shall be referred to as Bills, in a form satisfactory to the Bankers' up to the sum total principal of $1.5 million in United States gold. The said Bills will bear the date of October 15, 1911; they will mature October 15, 1912; interest will be paid at a rate of 6 per cent (payable quarterly on January 15, April 15, July 15 and October 15) and said Bills will be subject to amortization at par, plus accumulated interest, the 15th of any month, with thirty days previous notice on the part of the Minister of Finance of the Republic to the Bankers, redeemable in minimum quantities of $50,000 drawn by lot; the lots shall be drawn from time to time whenever funds applicable to the amortization may accumulate, and they shall be drawn under the direction of the Bankers or of the "Trustee" to be mentioned hereafter.

The Bills shall be issued in Dollars, Pounds Sterling or Francs, and they shall be of a nominal value that the Bankers shall determine, not smaller than Ten Thousand Dollars in gold of the United States, or its equivalent in other national currencies.

The Bills, both as to principal and interest, shall be payable at the offices of the Bankers in the city of New York or at the option of the bearer, they may be payable in London at the fixed rate of exchange of $4.85 per pound sterling, or in Paris at the fixed rate of exchange of fr. 5.21 per dollar.

The Bills shall bear the seal of the Ministry of Finance of the Republic and the name of its Minister of Finance; they shall be signed in the city of New York by a special delegate of the Republic whom the Minister of Finance shall appoint; they shall be payable to the order of

the person or persons whom the Bankers may designate, they shall be transferable by endorsement and assignment, and in general they shall have the form that the Bankers shall decide.

The said Bills when they are signed according as provided shall be delivered to the United States Mortgage and Trust Co. which in the future shall be referred to as Trustee, to be certified, and said Trustee will certify them, signing the attached certificate, which shall declare that each Bill is one of those described in this Contract, and on receiving from the Bankers $1.5 million as shall be described in Article Six, the Trustee will deliver said Bills to the Bankers or to their order.

The Republic will prepare and deliver to the Bankers in conformance with and at their solicitation, all the prospectuses and other documents which, in reference to the said Bills, they shall reasonably require. The prospectus and documents referred to shall be signed in the name of the Republic by the Minister of Finance or by any other functionary or authorized person, or in any other form, as may be necessary.

ARTICLE THREE

The loan represented by the said Bills shall constitute and is hereby declared to be the responsibility and direct obligation of the Republic, apart from all guarantees stipulated in this Treaty, and the Republic hereby pledges its good faith and credit in guarantee of the due and punctual payment of the principal and interest of the said Bills, and the fulfillment of the obligations that it hereby contracts.

ARTICLE FOUR

The Republic will pay the stamp or other taxes, if there be any, to which this Agreement is or may be subject according to the Laws of the Republic, and these Bills shall be exempt from all taxation in or by the Republic, now effective or which may be effective in the future.

ARTICLE FIVE

Section 1. *Without recognizing in any way that the bonds of the Republic issued in conformance with the provisions of a certain document dated January 19, 1909, contracted with the Ethelburga Syndicate, Limited, of London, constitute a lien, preferred or of any kind, on the customs receipts of the Republic,* but reserving the right to apply in the future, with funds proceeding from the said customs duties, a sum not to exceed $430,000 annually or a sum equal to the interest of the said bonds for one year plus the sums required (for the same length of time) for the corresponding fund for amortization, or the payment of the interest and principal of the said bonds or the payment of the sums that the conditions of the arrangement or adjustment that is effected with the Ethelburga Syndicate, Limited, of London, or with the holders of the said bonds of 1909 requires, *the Republic hereby agrees, that the principal and the interest of the Bills and every sum whose payment is stipulated in this Agreement shall be guaranteed and is hereby constituted a first lien and charge on all the export or import duties received for or by*

the Republic from October 15, 1911, on, except the sum of $430,000 above mentioned and the expenses of collection.

Section 2. *In order to make the guarantee already indicated more effective, the customs receipts mortgaged under this Contract shall be collected by a Collector General of Customs and applied according to provisions to be specified later in this Contract. The said Collector General shall be designated by the Bankers, approved by the State De-*partment of the United States and named by the Republic, and as soon as this Treaty is ratified by the Congress of Nicaragua and after the naming of the said Collector General, the latter shall take charge of the administration of the customs duties as shall be hereafter disposed. In order that, while the President of the United States has not ratified the Agreement "Schedule A" and while the exchange of ratifications of the said Treaty between the two governments is not made, the dispositions of this Agreement be made more effective, *the Bankers either for themselves or representing the Bill holders shall have the right to petition the United States for protection against the violation of this Agreement, or aid in imposing its fulfillment; and the Republic and the Bankers hereby consent and contract that if any controversy, question, dispute or difficulty of any kind arises in respect to the interpretation or fulfillment of this Agreement, such controversy, question, dispute or difficulty shall be immediately submitted by one or both of the contracting parties to this Agreement to the Secretary of State of the United States for its determination, resolution and sentence, and all determination, resolution and sentence that is rendered after such a submission shall be and is hereby accepted by both contracting parties as final and conclusive, and at once and in agreement with its terms and specifications it shall be recognized and adopted, and faithfully executed by the Republic and the Bankers.*

Section 3. *The above mentioned Collector General will collect, hold, deposit, administrate, and dispose of the customs duties, both export and import, chargeable by or for the Republic.* Before beginning the discharge of his duties, the Collector General will place in the hands of the Minister of Finance a bond of the sum of $100,000 which the Bankers shall certify and which shall secure in the usual manner the faithful fulfillment of the duties of the said Collector General of Customs. All Collectors General of Customs appointed in the manner which has just been related will be renewable at the solicitation of the Bankers *communicated through the channels of the Secretary of State of the United States,* and in the case of his removal or his death or permanent incapacity, whatever may be the cause, *another Collector General of the Customs shall be designated by the Bankers, approved by the Secretary of State of the United States and appointed by the Republic, and the new appointment shall be made in conformance with what has been indicated, within ten days subsequent to the approval of the Secretary of State of the United States* and shall take effect immediately upon the delivery of his bond is conformance with the above. In case of removal, death,

and during sickness, absence or incapacity, whatever may be the cause, of the Collector General of Customs, his duties shall be discharged by the Under Collector appointed in a similar manner.

An Under Collector and all the assistants and employees required for the collection and disposal of the customs duties, shall be appointed by the Collector General and shall be removable at his solicitation. *The Minister of Finance of the Republic, having received written request of the Collector General of the Customs, will appoint at once all the designated persons, as has been said above, will remove all persons whose dismissal is recommended by the Collector General, and shall appoint in their place, those whom he has named.* The said Under Collector and each one of his assistants, before entering upon the discharge of their duties, will place in the hands of the Minister of Finance a bond which the bankers shall certify securing in the usual manner the faithful fulfillment of his duties, and for the sum that the Bankers and the Minister of Finance shall decide upon.

The remuneration of the Collector General of Customs shall be determined by the Bankers, subject to the approval of the Minister of Finance of the Republic, and the remuneration of the Under Collector and of all the assistants and employes as well as all the incidental expenses to the collection and disposal of the customs duties shall be determined by the Collector General of Customs, with the condition, however, that the total annual expenses corresponding to the said collection does not exceed the reasonable sum that shall be agreed upon from time to time between the Minister of Finance of the Republic and the Bankers.

From time to time the Republic shall, when it is necessary, in order to re-invest in the Collector General full power to administer the customs, grant him all the aid and auxiliary necessities, shall protect the said functionaries and their assistants, agents and subalterns in the discharge of their duties, and shall facilitate the collection and disposal that he must make of all the customs duties in conformance with the provisions of this Agreement. The Republic by this act irrevocably authorizes and instructs the Collector General of Customs to the following effect, and the said Collector General assumes the following duties:

(a) To render to the Republic and to the Bankers in the form which the Bankers shall from time to time specify, accompanied by all the details and data, monthly reports of all the export and import duties and of disbursements incurred in the collection of said duties; and

(b) To pay and apply all the said export and import duties with the preferences specified in the following section.

The Bankers, by means of their agents and the persons appointed by them, shall have right to inspect the books, papers, documents, and accounts of the Collector General of the Customs from time to time.

The Collector General of the Customs shall at least once a month, after paying the ordinary or special expenses incurred in the collection of the customs duties, remit to the Bankers all the sums collected in

the quality of such duties. The sums which the Bankers so receive from the Collector General of the Customs shall be kept and disposed of by them in the following way:

(A) to be held subject to the order of the Minister of Finance of the Republic, a sum that shall not exceed annually the amount of $430,000 which shall be disposed of solely by order of the Minister of Finance:—

(1) to the payment of the sums required by the interest and fund for amortization of the Funds of the Republic issued in conformance with the provisions of a document dated January 19, 1909, contracted by the Republic and the Ethelburga Syndicate, Limited, of London, or

(2) to the payment of the sum or sums that may be required by the conditions of the arrangement or adjustment (if there be any) that may be contracted with the Ethelburga Syndicate, Limited, of London, or with the holders of the said bonds.

(B) to the payment of the interest and principal of the Bills that are issued under this agreement.

Section 4. In order that the guarantee of this loan may suffer no loss, *the government of Nicaragua agrees not to alter the import and export duties and other charges that affect the entrance or exit or transportation of goods, without previous approval on the part of the Bankers,* as long as any of said Bills remains outstanding and payable without provision being made for its payment.

Section 5. At the close of each three month period, and on every occasion that either of the two Governments requests it, *the Collector General will present to the Secretary of State of the United States and to the Minister of Finance of the Republic a complete and detailed report of the receipts and disbursements under this Agreement.*

Section 6. It remains stipulated and agreed upon by the Republic that as long as any of these Bills remains outstanding and to be paid or without provision being made for its payment, the Republic will not pledge or offer as security in any other way the taxes, duties, excises, imposts, rents, and other sums that are or may be due to the Republic on or in relation with the manufacture, sale or consumption of alcohol, wines, or brandy of all kinds, and, with the exception noted below, the Republic will continue to collect, administrate and use for its own proper purposes, the taxes, duties on excises, imposts, rents, and other sums that are or may be due to the Republic on or in relation with the manufacture, sale or consumption of alcohol, wines, or brandy referred to.

It is stipulated, however, and agreed upon by the Republic that if the customs duties pledged in this Agreement prove to be insufficient for the payment of the interest charges of said Bills, or if the Republic fails to fulfill any of the obligations incurred under this Agreement, then, and in that case, *the outstanding Bills shall be and shall constitute a first lien and charge on the taxes and duties referred to, on excises, imposts, rents and other sums that are or may be due to the Republic on or in relation with the manufacture, sale or consumption of alcohol, wines, or brandy*

of all kinds, and the Republic will cede thereafter to the Collector General of the Customs appointed in conformance with the procedure laid down above, the collection and administration of the said taxes and duties referred to, on excises, imposts, rents and other sums that are or may be due to the Republic on or in relation with the manufacture, sale or consumption of alcohol, wines, or brandy of all kinds.

The above mentioned lien and charge of the Bills on the taxes and duties referred to on excises, imposts, rents and other sums that are or may be due to the Republic on or in relation with the manufacture, sale or consumption of alcohol, wines, or brandy of all kinds, shall end when all the Bills are paid or when the Bankers buy the $12 million of bonds that are issued in conformance with the contract "Schedule B."

The liquidated income of the said taxes, duties on excise, imposts, rents and other sums that are or may be due to the Republic or in relation with the manufacture, sale or consumption of alcohol, wines, or liquors of all kinds when they are collected by the Collector General, shall be paid by him to the Bankers and shall be utilized for the payment of the interest charges and principle of the outstanding Bills in conformance with this instrument, and it is further stipulated and agreed upon by the Republic that as long as any of the Bills remains outstanding, and to be paid, the Republic shall not alter the taxes referred to, duties on excise, imports, rents and other sums that are or may be due to the Republic or in the relation with the manufacture, sale or consumption of alcohol, wines, or liquors of all kinds in any way that might cause the guarantee of the Bills to suffer.

ARTICLE SIX

If the Republic should obtain the ratification and approval of this agreement, of the Contract, "Schedule B," of the Agreement "Appendix X" and of the Banking and Railway concessions mentioned in the last mentioned agreement, and summed up in those marked "Schedule C" and "Appendix D" respectively, by its Congress; and if the Collector General of the Customs provided for in this Agreement should be approved by the Secretary of State of the United States and appointed, and should he have entered upon his duties before October 15, 1911; and under no other conditions, except at the absolute discretion of the Bankers, the Bankers will, within the fifteen days subsequent to the Collector's assumption of his duties, and on a date designated by themselves, buy from the Republic and the Republic will sell to them $1.5 million nominal value of said Bills which will be delivered to the Bankers in their office in New York by the "Trustee" as has already been provided, and the Trustee is hereby authorized to make such delivery, and in consideration of this sale and delivery, and in consideration also of all the obligations that the Republic assumes under this Contract, the Bankers shall immediately pay to the Republic in the form that shall be specified below, the sum of $1.5 million, and the Bankers shall deduct a sum equivalent to the accumulated interest from October 15, 1911, which sum shall be applied to the reduction of the sum which the Republic shall have to pay for the interest period that

is next due. The said payment of $1.5 million shall be certified, depositing the sum referred to with the Trustee, and the receipt of the said sum by the said Trustee shall relieve the Bankers of all further responsibility.

ARTICLE SEVEN

The sum of $1.5 million in cash, that shall be paid by the Bankers and deposited with the Trustee, as has been provided, shall be kept by the Trustee, and shall be applied and disposed of as follows:

As soon as may be practicable after the purchase of the $1.5 million in Bills, as above, the Bankers shall incorporate a banking corporation which hereafter shall be referred to as the Bank, with an authorized capital of $5 million gold of the United States of America, and with the Banking or other privileges that the Bankers may determine, in conformance with the laws of one of the United States of America or some other convenient jurisdiction which they may designate, 51% of the shares of stock that said Bank shall have issued and outstanding at any time shall be enough to elect all the personnel of the Directoral Board.

At the time of its incorporation or shortly afterwards, the Bank shall receive from the Republic a concession, substantially in the form that, marked "Schedule C," accompanies this instrument, which the Republic hereby agrees to grant. The Bank shall be the depository of the funds of the Government, in Nicaragua, and it shall be the Fiscal Agent and Paymaster of the Government in that Republic; it shall enjoy exemption from all taxation, and it shall have the right to issue banknotes and to introduce and maintain the monetary system to be mentioned below.

The Republic shall subscribe, or cause to be subscribed, the initial capital of the said Bank which shall not exceed $100.000, and the amount of such subscriptions shall be paid to the Trustee with funds proceeding from the sums that the Bankers shall deposit with it as has been provided, upon the presentation to the Trustee of the written orders of the Minister of Finance of the Republic, asking that this payment and the deposit with the Trustee of the shares as has already been expressed as guarantee be certified.

The shares of said Bank bought by the Republic with funds proceeding from the Bills shall also be kept by the Trustee as an additional guarantee for the amortization of the said Bills, and the said shares on being deposited with the Trustee shall be endorsed in blank, and the Trustee, without consequent responsibility, shall vote them as provided hereinafter, and upon the certification of the fulfillment of this Agreement and the total payment of the said Bills, the shares that are found in possession of the Trustee, as has been provided, shall be delivered to the Minister of Finance of the Republic, or in conformance with his orders, unless the Contract "Schedule B" goes into effect.

The expenses which the Bankers shall incur in respect to the incorporation and organization of the said Bank shall be paid with funds proceeding from the amounts deposited with the Trustee, as has been stipulated, and the Trustee is hereby authorized, empowered and instructed to make the necessary payments to repay the expenses of the Bankers

relative to the incorporation and organization of the said Bank, having received an account of the said expenses, duly attested, from the Bankers.

All the product from the Bills, that is in possession of the Trustee at any time, shall also be kept as an additional guarantee of the payment of the Bills, but until the Bankers notify the Trustee that the payment of the interest or the principal of the said Bills is in default, the income of the said Bills be given over to the purposes expressed already or in any other part of this Agreement.

As long as this agreement continues in effect, the Republic will not sell its shares in the said Bank nor dispose of them in any way except as hereinafter specified and as long as any number of Bills or a renewal continues outstanding and amortizable or as long as the payment of the said Bills constitutes a lien and charge on the Banking and Monetary Fund provided in the Contract, "Schedule B," the Republic will take all the necessary steps to have the Trustee vote all the shares which it may own *in order to obtain the election, as Directors of the said Bank, of the persons whom the Bankers shall designate, and the Bank referred to shall be governed and administered by the said Directors exclusively.*

As long as there remain Bills outstanding and to be paid, *the Bankers shall have the right, at their option, to buy from the Republic at the original price of subscription, 51 per cent of the outstanding stock of the said Bank.*

When the Treaty "Schedule A" of June 6, 1911, shall have been ratified by the President of the United States and the two contracting governments shall have exchanged the corresponding ratifications, and if the Bankers in conformance with the disposition of this Agreement and of the agreement "Schedule X" buy the Bonds whose issue in conformance with the dispositions of the Contract "Schedule B" is projected, the Bankers for a period of 30 days subsequent to the exchange of ratifications of the Treaty "Schedule A" or for a period of 30 days subsequent to the promulgation, by the Republic, of a plan for monetary-reform, according to which of the two events shall be the latter, shall have the right to buy at their option from the Republic at the price of subscription 51 per cent of the outstanding shares of the said Bank, and in the event of exercising that option and the purchase of said shares in conformance with the provisions of this agreement, the Bankers shall have the additional right, at their option, to subscribe to, or to buy from time to time, at par, 51 per cent of all additional shares of the said Bank that may be issued. These additional options shall be exercised within thirty days of the respective resolutions of the Bank which authorize the issue or the additional issues.

The Republic shall subscribe, at par, to any additional issue or issues of shares of stock of the Bank referred to that have not been subscribed to by the Bankers. All the subscriptions for stock of the Bank shall be paid by the respective subscribers in gold of the United States, or its equivalent at the time of issuing the corresponding titles to the stock. *In case the Republic ever wishes to dispose of all or some of its shares it shall offer them first to the Bankers,* who shall have the right, at their

option, and on any date within thirty days subsequent to the offer, to buy the same, or any number of them, at the same price and on the same terms and conditions that may be offered by others who wish to buy them in good faith. *The product from the sale of the shares of the said Bank belonging to the Republic, unless the said Bank shares have been entrusted to the United States Mortgage and Trust Co. in its position of TRUSTEE, named in said Contract, "Schedule B," as has been provided in this agreement, shall be set apart by the Bankers for the payment and amortization of the Bills.*

ARTICLE EIGHT

The provisions of Paragraph 5 of the Agreement "Schedule X" relating to the study of the conditions and monetary needs of Nicaragua, the preparation and presentation of a plan to introduce and maintain a stable monetary system, and the adoption and execution of this plan, are hereby incorporated as an integral part of this agreement, except (1) that the Bankers shall begin their study of the question immediately after the approbations and ratifications indicated in ARTICLE ONE of this agreement: (2) that the provisions of the said Paragraph 5 shall be fulfilled as soon as practicable; and (3) that all the expenses that are incurred in preparing, presenting, having adopted, introducing and maintaining a plan for a stable monetary system in Nicaragua shall be made by the Trustee named in this Agreement with funds proceeding from the sums that the Bankers are to deposit with the said Trustee, as heretofore stipulated, instead of being made by the Trustee named in the Contract "Schedule B" with funds proceeding from the Banking and Monetary Fund referred to in that Contract; and the Trustee is hereby authorized, empowered and instructed, to make the payments that may be necessary to meet the expenses which the Bankers incur in preparing and presenting such a plan, provided it receive an account of these expenses from the Bankers, accompanied by corresponding certification; and it is to make payments from time to time in relation to the adoption and maintenance of such a plan if it be adopted, according to the written orders of the Minister of Finance, approved by the Bankers.

ARTICLE NINE

In order to facilitate the regulation of the financial affairs of the Republic, *Messrs. Brown Bros. & Co. and J. and W. Seligman & Co. are hereby authorized to act as Agents for the Republic to meet with the Ethelburga Syndicate, Limited, of London, and with the holders of the 1909 bonds,* in order to consummate an arrangement in conformance with the provisions of Article 7, Section 2, insert (A) of the Contract "Schedule B" referred to of the disagreements that have arisen between them and the Republic.

ARTICLE TEN

When the Contract "Schedule B" is in effect and when the Banking and Monetary Fund is created as has been provided in the said Contract

"Schedule B," then the United States Mortgage and Trust Co. in its position of Trustee, constituted by this Agreement, shall at once take charge, in the same way, in its position of Trustee, of all the remainder not expended that, from the product of the Bills, remains at maturity in its possession, as well as all the shares of stock in the said Bank, bought by the Republic with funds proceeding from the product of the said Bills, all the other properties kept as security for the said Bills, and the Bankers shall entrust to the United States Mortgage and Trust Co. in its position of Trustee constituted by the Contract "Schedule B," all the sums that they possess applicable to the payment of the interest and the principal of the said Bills as well as all the properties that they keep as guarantee of the said Bills with the understanding and agreement that the United States Mortgage and Trust Co. and the Bankers first deduct, from the moneys that they have in their possession, as has been stated, their respective expenses, and that the said Trustee first deduct its remuneration (expenses and remuneration that shall be paid according to this agreement). After fulfilling what has just been expounded, the United States Mortgage and Trust Co., as Trustee, shall be charged with effecting to the holders of the same, the payment of the interest and the principal of the Bills as provided in the Contract "Schedule B" and the entrusted funds and other duties as has been provided, to the said Trustee, constituted by the said Contract "Schedule B" plus the sum of $1.5 million delivered to and kept by the said Trustee as part of the Banking and Monetary Fund referred to, shall be applied by the Trustee as far as may be necessary to the amortization of the Bills. *The duties of the Collector General of Customs named in this agreement shall cease when the Collector General of Customs named in the Contract "Schedule B" is appointed and begins to discharge his duties.* The net product of the collections that at maturity are found in the hands of the Collector General of Customs named in the said Contract "Schedule B," and the net product thus delivered, shall be considered to have been collected by the Collector General of Customs named in the said Contract "Schedule B."

As long afterwards as the Bills constitute a lien and charge on said Banking and Monetary Fund as expressed heretofore and in the said Contract "Schedule B," the Trustee named in the said Contract "Schedule B" shall recall, at the written petition of the Minister of Finance of the Republic, all the Bills issued and to be paid, to amortize them at par, plus accumulated interest, the 15th of any month, provided the Bankers are notified in writing of the intended amortization thirty days previous; and having confirmed the said notice, the Bills shall cease to bear interest on the date indicated in it.

ARTICLE ELEVEN

1. *The Bankers shall have, at their option, for a period of thirty days subsequent to the exchange of ratifications by the two contracting governments, provided that such exchange be consummated on or before October 15, 1913, or on any date subsequent to the last mentioned, as*

long as any Bill or any renewal of a Bill issued and to be paid remains outstanding, the right to declare in effect the Contract "Schedule B" and to buy the bonds that are issued in conformance with the provisions of the said Contract "Schedule B" on the terms and conditions stipulated in the said Agreement "Schedule X." The Bankers will give notice of exercising their option of declaring the Contract "Schedule B" in effect in the form prescribed by Article 13 of this Agreement. In such case, all the bills or the renewals of the Bills that at maturity shall be outstanding, shall be amortized as Article 10 of this Agreement provides, and for that purpose the Banking and Monetary Fund mentioned in the contract "Schedule B" shall be available as long as may be necessary.

2. *If for any motive whatsoever before the President of the United States has ratified the Treaty "Schedule A" the Republic wishes to make an issue of bonds on terms other than those specified in the Contract "Schedule B," the Bankers shall have the right, at their option for a period of five years figured from the date of this agreement, and on any date within the thirty days subsequent to that on which the Republic received a genuine offer for the purchase of the Bonds, to buy the said Bonds at the same price and on the same conditions and terms offered by any one who genuinely intended to buy the bonds;* and the Republic agrees that if it makes an issue of bonds on terms other than those specified in the said contract "Schedule B." the Republic will provide at the same time, in an effective manner, satisfactory to the Bankers, whatever is necessary for the immediate payment and amortization of all the Bills or renewals of the Bills that may be outstanding at maturity.

ARTICLE TWELVE

In case the Bankers do not exercise their option to buy the bonds issued in conformance with the Contract "Schedule B" and guaranteed by the same contract, or if said Treaty "Schedule A" be not ratified by the President of the United States, and if the ratifications are not exchanged within the period fixed in insert 1 of Article 11, or in case the Bankers notify the Republic that they do not intend to exercise their option, *the Republic shall, within the thirty days subsequent to the presentation to the Minister of Finance of the corresponding detailed account, pay to the Bankers the sum or sums that prior to that time they shall have disbursed or shall in future disburse for the compensation of the experts, financial and otherwise, of fees to lawyers, of expenses for cablegrams and travelling, and in general of all sums that the Bankers actually spend in relation to the various affairs with which this agreement deals and with all the other affairs relative to these loans;* but no payment will be accorded the Bankers for their own services.

ARTICLE THIRTEEN

All notifications by the Bank to the Republic in conformance with this agreement shall be written and addressed to the Minister of Finance of the Republic of Nicaragua, and *shall be considered duly delivered*

on being delivered to the Legation of the Republic at Washington, District of Columbia, or at the Consulate of the Republic in the city of New York, or on being deposited in the mail, in a sealed, stamped package addressed as provided above. The communication of the notification shall be considered consummated from the date of such delivery or from the date of the mailing as specified above. In each case, however, a duplicate of the notification will be delivered to the Department of State of the United States.

All notifications to the Bankers shall be given in writing, addressed to Brown Bros. & Co. and J. and W. Seligman & Co. and delivered in their offices in the City of New York.

ARTICLE FOURTEEN

This agreement shall be considered and interpreted as a contract subject to the laws of the State of New York; and an essential condition of it is the observance of the time limits specified therein. It shall be promulgated in English as well as in Spanish; but for the interpretation of this Agreement, the original English shall prevail and the terms of this Agreement shall be applicable to the firms of the Bankers who constitute the second part, whatever may be their future organization, and without account of the changes in personnel, if any occur.

ARTICLE FIFTEEN

This Agreement shall bind the contracting parties and the holders of the Bills and is for their exclusive benefit; *no provision of this Agreement shall be considered or interpreted as creating obligations or any "trust," or as conferring any privileges or benefits on the "Ethelburga Syndicate, Limited," of London,* or on the holders or owners of the bonds, obligations, or other attestations of debt of the Republic, at present outstanding, or any creditor or concessionaire of the Republic, or any person or corporation that pretends to be its creditor or concessionaire.

ARTICLE SIXTEEN

All the options conferred, by virtue of this agreement, to the firms which constitute the second part to this contract are provided for the collective benefit of both, and the said options shall be exercised conjunctly by both firms unless in the case of a particular option which one of the firms chooses not to exercise, the said option may be exercised by the other firm and all its benefits shall accrue to it.

ARTICLE SEVENTEEN

The Bankers, in the custody of the money that they receive in conformance with this agreement, shall have the responsibility of Bankers solely, and the said responsibilities shall extend solely to the money that the Bankers actually receive, in the city of New York, from the Republic or on its account. The Bankers shall not be subject to a charge or any responsibility for the acts or omissions of the other contracting parties or of any other person, partnership or any corporation mentioned

in this agreement, neither in act, omission, indiscretion or error that the Bankers commit in good faith (except in regard to the custody of money as referred to above), nor for acts or omissions of any agent that the Bankers appoint with due regard nor for any other concept than the responsibility of each banking firm for its own respective intentional fault. The Bankers may consult lawyers, and they shall incur no responsibility for acts carried out by the advice of the lawyers. The Bankers shall also be exempt from responsibility for any action they take relative to any notification, solicitation, consent, certificate or other document, that the Bankers deem to be genuine and to be signed by the person or the persons that seem to be the signees. The Bankers will incur no responsibility with respect to the validity of this agreement or the said Bills, neither with respect to the validity of the guarantee constituted in this agreement, nor with respect to the legitimacy, validity or value of the shares deposited with the Trustee, nor with respect to the application of the product of the Bills.

ARTICLE EIGHTEEN

The date on which or before which any act must be executed, or any obligation fulfilled, under this Agreement, or the date of any payment that must be confirmed under this agreement, may be postponed to the date or dates that the authors of this instrument agree in writing, and the Minister of Finance of the Republic, as such and as representative of the latter, is authorized and empowered, and instructed by this act that he may at his absolute discretion obligate the Republic, to such a postponement, and the Republic hereby ratifies and confirms and adopts as acts or deeds of the Republic, all acts or agreements of its Minister of Finance made by virtue of the power consigned in this Article.

ARTICLE NINETEEN

The Trustee shall have the right to charge a reasonable remuneration for the services that it shall lend in conformance with this agreement, and that remuneration after its approbation by the Minister of Finance of the Republic shall be paid to the Trustee from funds proceeding from the amount that the Bankers shall deposit with it, as has been specified in this Agreement.

In witness thereof, the Republic has disposed that this agreement be signed by Dr. Salvador Castillo, H., as its representative, Ambassador Extraordinary and Plenipotentiary Minister from the Republic of Nicaragua to the United States of America, and Messrs. Brown Bros. & Co. and J. and W. Seligman & Co. have signed it and sealed it on the day and year first mentioned in this agreement.

This agreement is executed in five copies in English and Spanish.

The United States Mortgage and Trust Co., the Trustee mentioned in the preceding instrument, hereby agrees to authenticate and deliver the Bills herein described in conformance with what has gone before, and to disburse the money deposited with the said Trustee by the Bankers in

conformance with the provisions of Articles 7, 8 and 10 of the said instrument, with the understanding that the orders for the payment of money entrusted to the Trust Company, or deposited with it, in conformance with the provisions of the said articles, deemed genuine by the Trust Company and with the signatures of the person or persons who seem to be the signee, shall be conclusive proof of that expressed in them and the conclusive authorization of the Trust Company to make such payments, and the Trust Company shall incur no responsibility in consequence, or in any concept with respect to the preceding instrument, except by its intentional bad conduct, nor shall it incur any responsibility as to the legitimacy, validity or value of any shares of stock deposited with said Trust Company in conformance with the dispositions of this instrument.

UNITED STATES MORTGAGE AND TRUST COMPANY
By

Attested: Vicepresident

Undersecretary

(2) Excerpt from Schedule B, Contract of Trust and Fiscal Agency

ARTICLE SEVEN

Section I—When the Bonds are issued in representation of the Republic, they shall be delivered to the Trustee which shall authenticate them and dispose of them in the following manner:

When Brown Bros. & Co. and J. and W. Seligman & Co. pay to the Trustee *the sum of $10,860,000 with interest on $12 million,* the nominal value of the bonds, figured at 5 per cent to the date of the payment, the Trustee shall deliver to Brown Bros. & Co., and J. and W. Seligman & Co. bonds for the nominal value of $12 million. The $3 million in bonds remaining, to be called hereafter reserve bonds, shall remain deposited with the Trustee for the purpose described below. The sum paid the Trustee for interest as has just been described, shall be held by the Trustee and applied by him to the payment of the coupons of the said Bonds that shall next come due.

Section 2—*The sum of $10,860,000 which shall be paid to the Trustee as has been said; the remaining $3 million in reserved bonds; the amount of 389,375 pounds sterling more or less, equivalent to $1,888,468.75 in gold of the United States which is to be found in the London Bank of Mexico and South America to the credit of the Republic of Nicaragua, and any other sums that may be charged or received from the Ethelburga Syndicate, Limited, of London, in the future shall be held by the Trustee when it receives them, and, despite any dispositions to the contrary, the Trustee will apply them and dispose of the same in the following form:*

The said fund shall be divided into six distinct funds that shall be known respectively by the names indicated below, and shall consist re-

spectively of the cash and Bonds that are apportioned to each one below:

(A) *The Ethelburga Fund, which shall consist of $6,100,000 in cash:*

(B) *The External Debt Fund, which shall consist of $550,000 in cash.*

(C) *The Mixed Claims Commission Fund, which shall consist of $1,510,210 in cash, the net product when it is received, of the said sum of approximately $1,888,468.75 in gold of the United States* which is now deposited to the credit of the Republic in the London Bank of South America and Mexico, in London, England; *and $1,860,000 nominal value of reserved bonds;*

(D) *The Banking and Monetary Fund, which shall consist of $1,500,000 in cash;*

(E) *The Railway Fund, that, with the exception noted below, shall consist of $1,140,000 of reserved bonds;*

(F) *The General Fund, which shall consist of $1,000,000 in cash.*

Each one of the said funds shall be separately administered, and shall be applied to the ends explained below.

(A) The Ethelburga Fund. Whereas differences have arisen between the Republic and the Ethelburga Syndicate, Limited, of London, with reference to an issue of bonds of the Republic made according to the provisions of an instrument dated January 19, 1909; and

Whereas the Republic desires to mend the said differences and completely protect the buyers and bearers of good faith of the bonds duly issued under the said instrument;

Therefore *the Republic, as one of the considerations of this contract, irrevocably authorizes the Fiscal Agent to represent it and to do all that in the opinion of the said Fiscal Agent is legal, just, reasonable and equitable in the settlement of the said differences with the Ethelburga Syndicate, Limited, of London, and in the purchase or retirement of all the bonds issued according to the said instrument of January 19, 1909;* so that, with this purpose and with the end of mending and terminating all the controversing, the Fiscal Agent may make, contract, and enter into all the agreements of transaction and arrangement that he believes necessary with the Ethelburga Syndicate or with others; so that it may purchase or retire all or any of the bonds issued under the said instrument; that it may cancel, redeem or convert the earlier loans or debts of the Republic mentioned in the said instrument of January 19, 1909, or may dispose what is necessary for their cancellation, retirement or conversion; so that it may, at its complete discretion, make use of all or any legal remedies to make the Republic's rights valid in this business; and that it may submit to arbitration all the questions that have arisen or may arise in this affair, under the terms of the said instrument of January 19, 1909, or in another manner. Upon consummating the said compromise, payment, or agreement the Fiscal Agent is authorized to receive the said fund in accordance with the terms of such an adjustment, and to contract a receipt for the same in the name of the Republic, which receipt shall constitute a complete cancellation of all the claims

that the Republic may have against the Ethelburga Syndicate, Limited.

All or any sums that may be payable as the result of any of the agreements or adjustments, settlements, or arbitral decisions, with the cost of collection deducted, without taking into account any compensation for the Fiscal Agent, shall be paid by the latter to the Trustee for the account of the Republic, and, on being paid, they shall be delivered to the Mixed Claims Commission Fund, as provided above.

The $6,100,000 that constitute the Ethelburga Fund shall be used exclusively for the purchase or retirement of the bonds issued by virtue of the instrument of January 19, 1909, or for the cancellation, retirement, or conversion of the earlier debts or loans of the Republic, mentioned in the said instrument, or for the payment of any sums that may become due by virtue of any agreement of adjustment, as has been said above; and the Trustee is expressly authorized and instructed to make payments from the Ethelburga Fund in conformance with the written orders delivered to him by the Fiscal Agent.

After the sum or sums required for the ends mentioned above have been paid, all the expenditures incurred by the Trustee for this purpose, on being approved by the Fiscal Agent, shall be paid by the Trustee, and whatever remainder is left shall be transferred, by written order of the Minister of Finance, from the Ethelburga Fund to the Railway Fund that it may be disposed of in the manner specified below.

(B) *External Debt Fund. The sum that constitutes this fund or the portion of it that may be necessary shall be used for the adjustment and settlement of the remainder owed to the United States, according to the Protocol, contracted by the United States and the Republic of Nicaragua, dated September 18, 1909.*

The Minister of Finance will render the Trustee a statement that shall manifest the precise sum owed, and he shall accompany the said document with a written request addressed to the Trustee that it make such a payment, by virtue of which the Trustee shall do so, with the condition, satisfactory to the judgment of its lawyers, a conveyance or cancellation or receipt of the said debt.

After the sums required for the end mentioned above have been paid from the External Debt Fund, whatever remainder may exist shall be transferred to the Railway Fund to form an integral part of it, to be disposed of as provided below.

(C) The Mixed Claims Commission Fund. *There has been created a commission of mixed claims composed of three members, one elected and appointed by the Republic, one recommended by the United States and appointed by the Republic, and the other appointed by the Department of State of the United States.* The said commission has for its purpose the examination and settlement of all the claims against the Republic not already adjusted, including those that may have their inception in the cancellation or suspension of monopolies, concessions, leases or other contracts entered into by earlier governments of the Republic. The claims that may be presented to the said Commission include, among

others, those relative to the internal bonds of public credit, military expectations, and all the other claims whose adjustment is not provided for elsewhere in this contract.

When the findings of the said Mixed Claims Commission are rendered to the Trustee from time to time, the latter shall pay, from the said fund, the sums fixed in them; but before making any payments it shall receive the corresponding transfers or cancellations which shall be satisfactory to the judgment of its lawyers. In making the said payments the Trustee shall first dispose of the cash at his disposal, and if the said cash at his disposal is not sufficient for the total payment of the sums adjudicated in the said findings, the Trustee, on receiving the written request of the Minister of Finance, shall render to the Fiscal Agent for sale or for the purpose of obtaining a loan upon them, all or the necessary portion of the $1,860.000 in reserved bonds which constitute the remainder of the said Mixed Claims Commission Fund, as the Minister of Finance shall dispose within the limitation mentioned in Section 4 of this Article. The net product of this sale or loan shall be deposited with the Trustee by the Fiscal Agent, and the former shall at once pay from the said product, and without exceeding its amount, the rest of the adjudicated sums, in the order that the respective awards are presented to the Trustee.

After the sum or sums required for the ends stipulated above have been paid from the said Fund, any remainder there may be, whether in cash or in Bonds, shall be transferred to the Railway Fund to form an integral part of the same and to be disposed of as provided below.

(D) The Banking and Monetary Fund. The Republic proposes to organize a Bank which shall be the depository of all the funds of the Nicaraguan Government, and which shall act as Fiscal Agent and Paymaster of the Republic. In case the said Republic subscribes a part of the shares that make up the capital of the said Bank, the amount of its subscription or subscriptions not exceeding a total of $500,000 shall be paid from the Banking and Monetary Fund by the Trustee when the written orders of the Minister of Finance to this effect are rendered it; but only when the shares are delivered to the Trustee, in a form approved by the Fiscal Agent, in a quantity equal to the sums so paid, and the shares so received shall be kept by the Trustee as a part of the guarantee for the bonds issued under this contract.

The expenses incurred in relation with the incorporation and organization of the said Bank shall be paid from the Banking and Monetary Fund when the Fiscal Agent renders the Trustee an account of them accompanied by the respective attestations.

The Republic also proposes to adopt a plan for the introduction and maintenance of a stable monetary system in Nicaragua. If such a plan is adopted, the sum or sums required for this end shall be paid in conformance with the same by the Trustee when it receives the written orders of the Minister of Finance, approved by the Fiscal Agent.

The expenses incurred in the preparation of the said plan shall be paid from the Banking and Monetary Fund by the Trustee when the

Fiscal Agent presents it with an account of them, accompanied by the proper attestations.

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Note: The next two paragraphs state the existence of the Gold Treasury Bills, and their charge upon the customs.

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The unpaid Treasury Bills in circulation shall constitute a first lien on this Banking and Monetary Fund, if all of the following conditions are fulfilled:

(1) That this contract go into effect; (2) that the Banking and Monetary Fund is created in conformance with the provisions of this article; (3) when the United States Mortgage and Trust Co. as Trustees appointed in the said Agreements on Gold Treasury Bills takes charge of, as Trustee, under this contract, the remainder of the product of the said Bills (the Trust Company first deducting its compensation and expenditures according to the said Agreement on Gold Treasury Bills), all the shares of the Bank held at maturity by the said Trust Company and bought by the Republic with the product of the said Bills, and any other property held as a guarantee for the payment of the said Bills; (4) when the Bankers render to the United States Mortgage and Trust Co., as Trustee under this contract, all the money applicable to the payment of the principal and interest of the said Bills, and any other property held by them as a guarantee of the said Bills (the said Bankers first deducting their respective expenses in conformance with the said contract on Gold Treasury Bills). All these moneys, values, and properties, when they have been rendered to the Trustee, shall be held by the Trustee as a part of the Banking and Monetary Fund, provided for in this instrument. When and if the said Bills in circulation are converted into a first lien on the said Banking and Monetary Fund as disposed in this paragraph, the said Trustee is authorized under this contract, empowered, and instructed to pay or redeem all the unpaid Bills provided that the said Bills are presented to the Trustee for their payment or redemption. When all these Bills have been paid or redeemed, the said Trustee shall hold the shares of the bank as a guarantee of the bonds. Nothing contained in this paragraph, however, shall be taken to mean the prohibition of the sale of the said Bank shares in conformance with the terms of this article, and in case of such sale, the product shall be used by the Trustee for the redemption of the bonds referred to as later related.

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Note: The next paragraph provides for the transfer of the Collector General of the Customs, as provided in the Agreement on Gold Treasury Bills.

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The Republic, with the previous consent of the Fiscal Agent, shall have the right to sell from time to time any of the Bank shares that are in the possession of the Trustee at maturity, under this contract, at the price of subscription, and to deliver the said shares free from any lien created by this contract; and the Trustee, on receiving the product of such a sale, is authorized and instructed to deliver the said sold shares

when he receives the written orders of the Minister of Finance of the Republic and the Fiscal Agent to that effect. The product of such sale shall be rendered to the Trustee appointed under this instrument, and shall be used by the Trustee for the redemption of Bonds in the same way as that provided in Article 4 of this instrument for redemption of Bonds for the fund for amortization.

Any unspent remainder of the said Fund, that exists in the hands of the Trustee, that is not required for the payment or redemption of the said Bills issued under the Agreement on Gold Treasury Bills, or that is not required in conformance with the monetary plan referred to, or for any other ends approved by the Minister of Finance of the Republic and the Fiscal Agent shall be transferred, but solely at the order of the Fiscal Agent, from the Banking and Monetary Fund to the Railway Fund and shall form part of it and shall be disposed of as provided below.

(E) The Railway Fund. The Republic projects the construction of a railway from a point on or near the Atlantic Coast, preferably from Rama on the Escondido River, to the Great Lake of Nicaragua, or preferably, to the present railway from Corinto to Granada, and also of a railway from a point on the said line to Matagalpa, with the branch or branches that are considered desirable.

In case a railway company is not organized, the costs incurred in relation with the preparation of the studies of the projected railways by the engineers and experts, and the reports, studies and maps that they must make, shall be paid from the Railway Fund when the Fiscal Agent presents the Trustee with an account of the said costs accompanied by the corresponding attestations; and in that case the construction shall be done under a contract of construction that shall be subject to the approval of the Fiscal Agent, and the Trustee, in that case, shall make the corresponding payments from the Railway Fund when he receives the written orders of the Minister of Finance of the Republic accompanied by the written certificates of the engineers appointed by the Fiscal Agent, in which shall be expressed that the sums indicated in the orders are actually owed and should be paid for work done on the said railways, or for materials delivered to or for the same.

In case a railway company is organized with the end of constructing and exploiting the said railways, the Republic will be able to subscribe for stock in the said company, and in that case the Trustee shall make payments from the Railway Fund for the said subscription or subscriptions when it receives the written orders of the Minister of Finance of the Republic to that effect; but solely when preferred shares of the said railway company for a nominal value equal to the sum paid, which shares shall bear non-accumulable dividends of 6 %, are delivered to it in a form approved by the Fiscal Agent, and the Trustee shall hold the shares thus received as part of the guarantee for the bonds issued under this contract.

In case the Railway Fund should be insufficient for *the Republic's payment of half the expenses of the railway construction, in conformance with the agreement,* the Republic shall make the necessary additional

payments from funds distinct from the product of the bonds or from any funds specified in this contract, and all the shares thus purchased shall be entrusted to the Trustee to be kept by it as a guarantee for the said Bonds.

In case the said railway is constructed by the Railway Company or on its account, as has been said, and in case the Republic subscribes shares in the said company as has been proposed, the said company may issue bonds guaranteed by a general mortgage on the said railway, preferred before the guarantee that the shares subscribed by the Republic bear; on the condition that the bonds do not exceed in their total value 65% of the cost of the said railway. However, in case the said company acquire or purchase at any time additional property and these other properties become included in the guarantee or general mortgage, the debt represented by the Bonds of the said corporation may be augmented by an amount which shall not exceed the actual cost of these new properties.

In order to consummate the payments indicated above, the Trustee shall first dispose of the $199,790 in cash that constitutes a part of the Railway Fund. When the said cash has been used, the Trustee on receiving the written orders of the Minister of Finance of the Republic shall deliver them to the Fiscal Agent for the sale or mortgage all or a portion of the $1,140,000 in bonds that constitute the remainder of the Fund, according to the orders of the Minister of Finance, within the limitations set in Section 4 of this article. The net product of such sale or mortgage shall be deposited by the Fiscal Agent with the Trustee, which shall immediately apply the said product in the form heretofore indicated.

(F) The General Fund. This Fund shall be used and applied solely for the following purposes:

(1) *To the payment to Brown Bros. & Co. and J. and W. Seligman & Co. of the sum of $450,000 for the obligation they hereby assume of covering the costs of the imprinting and engraving of the provisional and definite bonds,* of having the Bonds entered on the Exchange they select, for the payment of the foreign taxes upon the issue, and the compensation and expenses of the Trustee carried by the certification of the Bonds, shipping expenses, and costs of security; and the Trustee is hereafter authorized and instructed to make these payments at the time of the delivery that Brown Bros. & Co. and J. and W. Seligman & Co. make to it of the price of the $12 million in bonds they are to acquire.

(2) The remainder of the said General Fund shall be employed in those public improvements in Nicaragua and for other ends *that the Minister of Finance of the Republic and the Fiscal Agent agree upon,* and on order signed by both shall be paid by the Trustee.

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(3) SCHEDULE D

Railway Concessions

The Minister of Finance, with the authorization and instruction of the President, in representation of the Republic of Nicaragua, hereafter

referred to as the Republic, on the first part, and on the other——, representing Brown Bros. & Co. and J. and W. Seligman & Co. of New York, hereafter referred to as the Concessionaires, have agreed upon the following:

ARTICLE ONE

Preamble

The Republic and the Concessionaires have signed a contract September 1, 1911, entitled Contract of Purchase of Bonds, by virtue of which the Republic cedes to Brown Bros. & Co. and J. and W. Seligman & Co. as Bankers, among other things, the right to buy from the Republic on the terms therein expressed . . . $12 million nominal value of bonds in a total issue of $15 million which the Republic proposes to make. This contract awaits the approbation of the President of the Republic, ratification by the Congress of Nicaragua, and the execution of their option on the part of the Bankers for the purchase of the said $12 million; consequently this contract shall not enter into effect until the date on which the Bankers buy the aforementioned $12 million of bonds as provided in the already mentioned Contract of Purchase of Bonds.

ARTICLE TWO

Granting of the Concession

The Republic hereby grants the Concessionaires a Railway Concession on the following terms:

ARTICLE THREE

Surveys

Section 1—Within ninety days subsequent to the purchase by the Bankers of the $12 million of Bonds mentioned in the First Section of the said Contract for Purchase of Bonds (if it is consummated), *the Concessionaires shall send engineers for the purpose of making surveys in Nicaragua, to determine the plans*

(a) *of a railway line leaving some point on or near the Atlantic coast, preferably Rama on the Escondido River, and terminating on the Great Lake of Nicaragua, or preferably joining the present railway from Corinto to Granada;*

(b) *of another, leaving the first at some convenient point and terminating at Matagalpa; and*

(c) *the branches of both lines that may be considered convenient.*

The surveying referred to shall be completed as soon as possible.

Section 2—When the surveying is completed, the Concessionaires shall present to the Minister of Public Works of the Republic, for his perusal and approval, two copies of a report that they shall prepare, accompanied by the study, surveys, maps and plans made by the engineers, in order that one copy may be returned with a mark of approval or rejection, and that the other, similarly marked, be kept in the archives of the Ministry.

ARTICLE FOUR

The Company, Its Incorporation, Constitution and Statutes

Section 1—Within two months subsequent to the date on which the concessionaires are notified of the approval by the Minister of Finance of the report of the study, surveys, maps and plans to which the preceding article refers, *the Concessionaires may, at their option, incorporate under the laws of one of the states of the United States or those of any other convenient country or jurisdiction, under the name of the National Railway of Nicaragua or any other fitting name,* with the powers that shall be mentioned, which corporation shall be referred to hereafter as the Company.

Section 2—The Capital stock of the company shall be represented by preferred shares and common shares, each share of which shall have a nominal value of $100 United States gold.

(a) The preferred shares shall confer upon the bearers the right to receive each year from the liquidated assets, before any payment that year of any dividend on the common stock, dividends of 6 per cent of their nominal value, with the understanding that the unpaid portion of the 6 per cent shall not be paid out of the receipts of future years. In the case of the liquidation of the company, the holders of the preferred stock shall have the right of redemption of their shares at par after the payment of debts and mortgages of the company and before any payment to the holders of the common stock.

(b) The common shares shall confer upon the holders the right to receive each year from the liquidated assets after the payment for the same year of a dividend of 6 per cent on the preferred shares. In the case of the liquidation of the company the bearers of the common shares shall have the right to receive proportionately all that remains after the preferred shares have been redeemed at par.

Section 3—The charter, in enumerating the purposes for which the company is organized, shall declare that the company has the power to acquire, construct or exploit, any railway line within the bounds of Nicaragua, and to execute any type of act, operation or contract relative to those ends; enjoying in consequence, in order to realize the purposes of its institution, the following powers and authorizations:

(a) *To acquire, possess and exploit, either entirely or in part and in any legal manner, the concessions, rights, and properties to which this contract gives it the right, or which it may acquire from the Republic,* or from any company, corporation, or individual who, either at present or in the future, does or shall possess or exploit railway lines or land or water transport lines or any utility relating to such lines.

(b) *To connect its lines of communications with others in the Republic, or with foreign lines at the frontiers.*

(c) *To negotiate with other railways or steamship lines contracts of any nature connected with traffic and the operation of the routes,* and that specify the use of the routes of other corporations by the company, or the use of the routes of the company by other corporations; to issue

and grant direct passages in union with other railway lines or steamship lines, including those that make foreign ports.

(d) *To acquire and possess, by any legal title, shares, bonds or obligations of other companies or railway corporations, whose properties may be situated, either entirely or in part, within the national boundaries,* or which touch upon the property of the company on the frontiers of the Republic; with the power of exercising all the rights inherent in these shares, bonds and obligations.

(e) *To undertake all kinds of transportation by land or water with the industries or utilities attached that they may deem convenient or* profitable, and to that purpose acquire, possess and exploit both movable and immovable goods of all kinds, to construct railway lines, and other works within the national boundaries.

(f) *To cause the establishment and development of companies or corporations that shall have for their purpose the production or handling of the proper materials for the consumption of the company, or the development of its properties of any kind;* being empowered to acquire and possess shares, bonds or obligation of the said companies or corporations, and to participate in them in any form, and with the power of exercising all the rights inherent in these shares, bonds or obligations.

(g) To execute all the actions and make all the contracts, civil and mercantile, that may be proper to realize the ends of the company, including the issuing of bonds or mortgages, and in general to do whatever relates to the objects expressed in the inserts above, with full legal capacity for everything authorized by this contract and permitted to analogous corporations.

Section 4—The charter of the company and its ordinances, which shall be submitted to the Minister of Finance for his approbation and validation, shall contain all the other disposition referring to the organization of the company, its objects, the amount of its capital, the division of the capital in shares, the rights and obligations of the shareholders, regulations for the setting of ordinary and extraordinary meetings, the form of administration, the functions and powers of the Directoral Board and in general, whatever concerns the administration of the company. All these additional dispositions on being approved by the Minister of Finance shall form an integral part of this contract.

ARTICLE FIVE

Concessions Granted by the Republic

Section 1—*The Company once organized, is hereby authorized by this contract to build, on its own account or on behalf of the Company or Companies that it or the Concessionaires organize, and to maintain and exploit for 99 years, all the lines and branches that Article Three of this contract refers to, and in addition all the other branches of the said lines that may be necessary or proper for the greater development and exploitation of the projected railway system.*

Section 2—*During the same 99 years the Company shall have the right*

to construct, maintain, and exploit telegraph and telephone lines and radio plants in connection with its railways and other works, with the right of opening them to the public service and charging the rates that it deems proper.

Section 3—The Company shall have the right to exploit its railways, extensions and branches, and its other works, or any part of the same with the motive power of steam, electricity, or any other.

Section 4—*The Company shall have the right to own steamships and steamship lines,* as well as to exploit them on its own account, on the Escondido River, on the lakes, or on the oceans, in connection with its railways.

Section 5—*The Company shall have the right to construct and exploit wharves, warehouses, and landing places, and to establish and operate agencies for the loading and receiving of goods and passengers in the Atlantic ports or on the lakes of Nicaragua or on the Escondido River, wherever they may be necessary to its traffic operations.*

Section 6—For the construction and exploitation of railway lines and telegraph and telephone lines authorized in this contract, *the Republic cedes to the Company a right of way of a width of 100 meters along all the length of each line, with the exception that, in those places where greater width is needed for stations, buildings, and other works that are necessary or convenient, this width shall be greater according to the necessity of the case. This exception shall be applicable to cuts, excavations, rock-pits, quarries, dams for diverting streams, dikes and works to protect the way from inundation, as well as for workshops, platforms, warehouses, depots, sidings and other useful or convenient works. All the lands comprised within the right of way thus conceded, whenever they are national, departmental or municipal property shall be rendered to the Company by the Republic, free of all costs.*

Section 7—The Company shall be empowered to buy or rent, administer and exploit any other railways or railway enterprises, steamships or other means of communication.

ARTICLE SIX

Privileges Conceded by the Republic

Section 1—*The employees of the Company shall be exempt from all civil or military service, except the latter in time of war,* and they shall be free from national or local taxation not generally paid by the inhabitants of the Republic.

Section 2—*The Company may freely import American and European laborers,* and these laborers shall be subject to the rights of citizens and to the laws of the Republic from the time of their arrival in the country.

Section 3—*The Company may construct power plants, electric or otherwise, and it may use the hydraulic power of the rivers and streams of water that are at a convenient distance from its railways, branches and other works. For this purpose and for distribution of the electric current, it shall have the right of locating dikes and canals where it may*

be necessary, it may flood lands, change the course of rivers and streams of water, erect posts and string wires or do anything else for the transmission of electric power, and in general it may exercise all the rights necessary for the installation, exploitation, and distribution of systems of hydraulic power. *It shall also have the right to distribute and sell electric current to the public for power, heat and light, and to charge the rates that it deems proper for it.*

ARTICLE SEVEN

Assistance Conceded by the Republic

Section 1—*The Company may take materials of all kinds, from the national lands, including the woods that may be necessary or convenient for the construction, operation, conservation, and repair of the railways and their dependencies, and the other works of the company, without the necessity of payment by the latter of any sum for their use.*

Section 2—The Company may take from any body of water, stream or river, the water necessary for the services and for the consumption of the laborers and employes, being authorized to pass pipe lines or conduits through lands of the State, of the Departments, and of the Municipalities without any compensation.

Section 3—*The Republic cedes to the Company the following lands:*

(a) *At each terminal point, and at each station of the railways and the branches that are constructed, a caballeria*[1] *of land that the Company shall choose before opening the railway to the general public at that point. Such lands shall be delivered to the Company by the Republic free from all cost or lien when they are national, departmental or municipal; should they be private property, the Republic will expropriate them for the Company.*

(b) *Ten caballerias of national or unappropriated land, for each kilometre of road constructed, the Company choosing them from the national or unappropriated lands alongside the right of way of its railways or contiguous to any terminal point of its railway lines.* For the purpose expressed in this paragraph, it shall be understood that the ceded lands are those that have the character of public lands on the date on which the report, studies, surveys, maps and plans mentioned in Article Three shall be presented to the Minister of Public Works, and they shall be selected by the Company within a year subsequent to the date on which the Concessionaires are notified of such approval, and with the end that this concession (of lands) shall go into effect in accordance with what has just been expressed, *the Republic shall not dispose of any portion of its national unappropriated lands situated alongside the right of way of the said railways after the date of the presentation of the reports referred to, until the Company has selected the lands that shall be ceded to it in conformance with this contract.*

All the lands ceded to the Company under this contract, it shall be

[1] Equivalent to 33½ acres.

understood, are conferred in proprietorship, and in consequence the Republic grants the Company the respective titles which shall be duly registered in the corresponding offices.

Section 4—*The Republic cedes to the Company the metallic deposits as well as those of coal, petroleum and salt, the marbles, sands, and other exploitable mineral deposits that may be found* in the excavations made on the lines and other works of the Company, and such findings shall be the Company's property provided the Company denounces them within a year subsequent to their discovery and works them subject in all things to the mineral laws of Nicaragua.

Section 5—*The Company may introduce American and European colonists. For each colonist head of a family, and besides, for each adult male that the Company introduces or receives, the Republic shall give the Company in proprietorship and free of cost 100 hectares of national or unappropriated lands* in the places that it designates, and as soon as the Company requests it, shall issue to these the corresponding titles of property.

Section 6—*The Republic cedes to the Company, as well as to the subsidiary companies that it or the Concessionaires organize to realize the ends of this contract, the following exemptions for a period of thirty years subsequent to the approval of this contract by the Congress of the Republic:*

(a) *Exemption from duties of importation and from taxes or imposts, national, departmental, or municipal, now or hereafter established, on all machinery, tools, rolling stock, instruments, iron-work, rails, materials for telegraph and telephone, coal or other combustibles and materials destined to study, construction, maintenance, exploitation, and improvement of the railways and the other works of the Company.*

(b) *During the time of the construction of the railway and other works, the Company shall enjoy the same privileges and exemptions mentioned in the previous paragraph, for the introduction of provisions, medicines and clothes for its laborers, as well as the furniture and utilities that are used in the encampments.* These importations shall not not be publicly sold and the Company shall take the precautions necessary to prevent the abuse of this privilege.

(c) *Exemption from duties, taxes or imposts, national, departmental or municipal,* including those of wharfage and port, on ships belonging to or chartered by the Company which bring material or provisions for the railways or other works of the company, as well as on those that bring laborers, employees or colonists, the Company having the obligation of giving notice to the Republic.

(d) *Exemption from the use of stamped paper and stamps in all the affairs of the Company,* and in its books, bills of exchange, contracts, obligations and documents in all cases relating to the railways and other works, always provided that the payment would normally be made by the Company.

(e) *Exemption from all taxes or imposts now or hereafter established that affect the capital, income or utilities of the Company.*

(f) *Exemption from the taxes that the law imposes either at present or in the future on the alienation and mortgaging of properties and rights,* or on the contracting and registering of mortgages, or which affect the issue or transfer of shares, mortgaging bonds and the other obligations of the Company.

ARTICLE EIGHT

Expropriation

Section 1—The railways and the rest of the works of the Company shall be considered as public utilities; consequently, *the Company shall enjoy the rights, concessions, and privileges inclusive of the right of forced expropriation, granted by the laws to enterprises of this character, and it shall have the right in all cases to the preferences granted by the Republic to the existing railways or those which in the future may be established in the country.*

Section 2—*The lands, waters, and materials of construction under private ownership that in the judgment of the Company are necessary for the construction and operation of the railways, their dependencies, and the other works, shall be expropriated for the benefit of the Company,* in conformance with the following rules:

(a) In case the Company cannot come to an agreement on a price with the owner of the lands, waters, or materials of construction, the Republic, with the intervention of the Company, shall appoint an expert assessor, and the owner shall appoint another. Both experts shall present their valuations within a period of 21 days from their appointment. If their valuations are in disagreement, the affair shall be submitted to the Judge of Primera Instancia of the Department in which the lands, waters, or materials of which the expropriation treats, lie, that he may name a third expert to give his findings within a period of 15 days from his appointment, of what is a just indemnification for the owner of the lands, waters or materials that are to be used or occupied. The Judge, considering the findings of the experts, shall fix the amount of the indemnity within three days.

(b) If the owner of the property, water, or materials which are to be occupied or used for the indicated ends does not appoint an expert assessor within the term of eight days of the notification by the Judge of Primera Instancia, the said functionary shall appoint an assessor that shall represent the interests of the owner.

(c) The experts, and the Judge of Primera Instancia, in making their valuations, shall take into consideration the taxes paid for the property to be expropriated, the greater value that the remaining property pertaining to the owner shall acquire by the construction of the railway and the other works, and the loss that may result to the owner.

(d) If for the surveys it is necessary to destroy or level trees, entire or in part, or any other obstacles, the Company may do so, provided it pays the indemnity that experts decide upon when this is made known.

ARTICLE NINE

Construction

Section 1—The railways and other works shall be of solid construction, they shall be provided with a quantity of rolling stock sufficient for their rapid and efficacious operation, and they shall have depots, workshops, and stations in every place which shall be necessary to the public good and the Company's convenience, in the judgment of its engineers. The radii of all the curves, the weight of the rails, the gauge of the road, and the other details of construction, shall be those determined by the Company, in accordance with the recommendations of its engineers and the approval of the Minister of Fomento.

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Note: Sections 2 and 3 of Article Nine, omitted, deal with the period allowed for the completion of the railway, which is indefinite, and the inspection of the constructed railway, respectively.

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ARTICLE TEN

Tariffs

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Note: This section is omitted out of space considerations, as its substance, which is that the railway may charge any rates it deems fitting, except in the usual cases of government transportation, is specifically mentioned in another part of the concession.

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ARTICLE ELEVEN

Obligations of the Republic

Section 1—The Republic shall give the necessary instructions to the Port Officers and the customs administrators that the fruit ships may leave at any hour of the day or night.

Section 2—*The Company shall have the sole and exclusive right of management of its railways, properties, and other works, and it shall not be subject to the interference of the Republic except to assure the fulfillment of this contract.*

Section 3—*The Republic will not, under any pretext, grant concessions to other persons or companies to construct another railway within a strip of 20 miles on either side of the lines of the Company without its consent.* Outside this strip, referred to in this section, the Republic shall be at liberty to grant new concessions.

Section 4—*The Republic grants the Company all the protection in its power, and it shall invest the train-men, station masters, guards and employees of the railway, in the discharge of their duties, with the powers of police deputies. Since the construction of the railways is* for the Republic's immediate welfare, *the Republic obligates itself to aid*

the former, morally and materially, in obtaining at all times a sufficient number of laborers.

Section 5—*The Republic shall open the ports that the Company requests,* and establish customs and other proper offices in them, and construct the works necessary for the service of the public and the Company.

* * * * * * * * * * *

Note: Articles 12, 13, and 14 are omitted. They deal respectively with the Company's right to mortgage its property, exception to the contract through unforeseen circumstances, and the maintaining of an office in Managua.

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ARTICLE FIFTEEN

Termination of the Concession and Purchase of the Property by the Republic

Section 1—*This concession shall last 99 years,* figured from the date on which the first line, which shall leave the Atlantic Coast or some point near it, preferably Rama, on the Escondido River, and which shall end on the Great Lake of Nicaragua, or connecting with the present line from Corinto to Granada, shall be completed, and opened to public traffic. On the termination of the period just specified, the Company shall be obliged to transfer to the Republic the lines referred to and the other works of *the Company, receiving in payment the value that the properties then possess,* which values shall be determined by experts agreed upon by both parties.

Section 2—If the Republic has not notified the Company of its intention of entering in possession of these lines and works, before the end of the 99 years and a period of six months more, it shall be understood that it shall not make use of the right here conferred upon it, and *this shall terminate the obligation of the Company to make the transfer referred to.* The Republic shall pay the value of the lines and other works of the Company, within a period of one year, or the obligation of the Company to transfer the property shall be cancelled, even should negotiations have taken place. In that case *the rights, privileges and powers that are conferred by this contract on the Company shall continue in its favor and it shall also continue to be owner of the railways branches and other properties that shall belong to it at that time.*

Section 3—The acceptance on the part of the Company of this contract shall be manifested by means of a written notice addressed to the Minister of Public Works of the Republic within seventy days of its incorporation, and shall implicate the acceptance on the part of the Company of all the rights, privileges and powers, and all the obligations that are expressed in this contract.

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Note: Articles 16 and 17 are omitted. One confers the right to sell, lease or mortgage the concession, and the other pledges the Republic not to modify it.

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ARTICLE EIGHTEEN

Disagreements

Any controversy between the concessionaires and the Republic, or between the Company and the Republic in relation with this contract or any affair connected with it, shall be decided by two arbitrators, and in case of disagreement, a third. One of the said arbitrators shall be appointed by the Republic, another by the Concessionaires or by the Company, whichever may be the case, and the third shall be appointed by the two first, or, in case they find it impossible to come to an agreement, by *the Secretary of State of the United States.*

Agents of the bankers negotiated settlements with the bondholders of the Ethelburga issue during the following year, dealing with them through the Corporation of Foreign Bondholders in London. The Republic bound itself to these settlements, and also entered into a Supplemental Loan Agreement with the bankers, binding itself to sell 51 per cent of its shares in its own railway to the bankers at their option. The price agreed upon was $1 million. Eventually the railway was resold to the Republic at $1,750,000, as specified in the 1920 contracts.

In 1913, five contracts were entered into between the Republic and the bankers. The Principal Contract, text of which is given below, stipulated the sale of 51 per cent of the shares of the Pacific Railway and the National Bank, to the bankers, and the issue of over $1 million par value of Treasury Bills of 1913, both of which the bankers were to secure for $2 million. It was further stipulated that the bankers would make the railway a loan at 85 per cent par value and 6 per cent interest. The product of this contract was to be spent as follows: for the purchase by the Republic of 47 shares of a new issue of the National Bank stock; for a payment to the bank to go toward establishing the new currency, and for the retirement of the outstanding Treasury Bills. The remainder, about $700,000, remained with the Trustee at the order of the Republic. The bankers received a preferential right for the purchase of the remaining bank and railway stock should the Republic ever sell them, and in order to make this preferential right effective, the shares of both bank and railway were to be kept by the Trustee. The contract further provided for the can-

cellation of the Railroad Concessions of 1911. Six of the Bank directors were to be the appointees of the Bankers, one was to be appointed by the Secretary of State of the United States, and two were to be appointed by the Republic. Two offices were created, Bank Examiner and Railway Examiner, which were to be held by the same person, a resident of the United States, at a salary of $400 monthly. This person would also be a director of the bank and receive a director's salary.

Schedule 1, the Trust Contract, provided that the Bills would constitute a lien on all the customs receipts which were still to be collected by the Collector General. This lien should be subject to prior liens in favor of the 1909 bonds, by the terms of the settlement, as also the payment of an indemnity to the same bondholders, and the prior lien in favor of payments to the National Bank for the fund for the establishment of the new currency. The loan constituted a first lien on all the Republic's shares in the National Bank and the Pacific Railway.

Schedule 2 was a contract for the sale of the new issue of Treasury Bills to the bankers at slightly more than 94 per cent of their par value.

Schedule 3 was a contract with the National Bank, stipulating payments of $350,000 for the monetary fund and $100,000 for services and temporary loans made to the Republic.

Schedule 4 was a contract with the Pacific Railway, clearing up necessary details involved in the sale of the majority of its stock to the bankers.

The Principal Contract is given below.

(4) THE REPUBLIC OF NICARAGUA
and
BROWN BROTHERS & COMPANY AND
J. AND W. SELIGMAN & COMPANY

AGREEMENT FOR PURCHASE OF RAILROAD AND BANK STOCK

Dated, October 8, 1913.

AGREEMENT, made at the City of New York this 8th day of October, 1913, between the REPUBLIC OF NICARAGUA, hereinafter

called the "Republic," party of the first part, and BROWN BROTHERS & COMPANY and J. & W. SELIGMAN & COMPANY, copartnerships, doing business in the City of New York, hereinafter called the "Bankers," parties of the second part; WITNESSETH:

Whereas, the Republic is indebted to the Bankers under agreements heretofore made between them; and

Whereas, *the Republic by contract with the Bankers dated March 26th, 1912, obligated itself to sell to them at their option fifty-one per cent. (51%) of the capital stock of Ferrocarril del Pacifico de Nicaragua, hereinafter called the "Railroad Company," for One Million Dollars ($1,000,000) United States gold;* and

Whereas, for the purpose of liquidating the indebtedness above mentioned, of providing further funds to insure the stability of the currency of the Republic, of increasing the capital of the National Bank of Nicaragua, Incorporated, hereinafter called the "Bank," of liquidating the Republic's indebtedness to the Bank, of providing for the Republic's current expenses, and for other purposes *the Republic has this day sold to the Bankers Gold Treasury Bills representing an aggregate principal amount of One Million Sixty Thousand Dollars ($1,060,000), United States gold for the price of One Million Dollars ($1,000,000)*; and

Whereas, for the purposes aforesaid the Republic desires and the Bankers are willing to exercise the option above mentioned upon the terms and conditions hereinafter set forth; and

Whereas, for the purposes aforesaid the Republic wishes and the Bankers are willing to purchase one thousand five hundred and thirty (1,530) shares of the capital stock of the Bank;

Now, Therefore, in consideration of the premises and of the mutual covenants and undertakings hereinafter contained, and in consideration of the covenants and undertakings by the Republic in various other contracts executed simultaneously herewith, it is hereby agreed as follows:

ARTICLE FIRST.

The following contracts executed simultaneously herewith are hereby made a part of this agreement, to wit:

1.—A contract between the Republic and the United States Mortgage & Trust Company, as Trustee;

2.—A contract between the Republic and the Bankers for the purchase of Treasury Bills.

3.—A contract between the Republic and the National Bank of Nicaragua, Incorporated; and

4.—A contract between the Republic and the Ferrocarril del Pacifico de Nicaragua.

Copies of said contracts, marked respectively "Schedule No. 1," "Schedule No. 2," "Schedule No. 3" and "Schedule No. 4," are hereto annexed.

ARTICLE SECOND.

The Republic hereby sells, assigns, and transfers to the Bankers sixteen thousand eight hundred and thirty (16,830) shares of the capital stock of the Railroad Company for the sum of One Million Dollars ($1,000,000) United States gold, to be paid as hereinafter set forth, upon delivery and transfer of said shares.

ARTICLE THIRD.

The Bankers shall loan to the Railroad Company, within three (3) years from October 1, 1913, the sum of Five Hundred Thousand Dollars ($500,000) United States gold, which shall at the discretion of said Company be expended on extensions and improvements of its railway and steamship lines and / or in the construction of new lines; *said loan shall be made by the purchase from the Railroad Company, at eighty-five per cent (85%) of their par value, of Six Per Cent. (6%) Ten Year Bonds to be issued by the Railroad Company, to be secured by a first mortgage and lien upon its properties.*

ARTICLE FOURTH.

As certificates representing the entire capital stock of the Railroad are at present deposited with the Bankers under the "Supplemental Loan Agreement" of March 26, 1912, the Bankers are hereby authorized to cause certificates representing the sixteen thousand eight hundred and thirty (16,830) shares hereby sold to them to be transferred on the books of the Railroad Company to their own name and take delivery of the same; and, after stamping the same as hereinafter provided, are further authorized to *deliver certificates representing the remaining sixteen thousand one hundred and seventy (16,170) shares to the United States Mortgage & Trust Company, as Trustee, to be held by said Trustee as provided in Contract, "Schedule No. 1."*

ARTICLE FIFTH.

The One Million Dollars ($1,000,000) purchase price of the Republic of Nicaragua's Treasury Bills of 1913, as provided in "Schedule No. 2," and the One Million Dollars ($1,000,000) purchase price of the sixteen thousand eight hundred and thirty (16,830) shares of Railroad stock as hereinbefore provided shall be paid by the Bankers as follows:

1. *Forty-seven Thousand Dollars ($47,000) by payment to the Bank of the purchase price of four hundred and seventy (470) shares of its capital stock to be issued in the name of Señor don Pedro Rafael Cuadra, Financial Agent of the Republic.*
2. *By payment to the Bank, for the purposes stated in Contract, "Schedule No. 3," of the sums mentioned in Articles Second and Fifth of said Schedule.*
3. *By payment to the Bankers of such sum or sums as may be required to retire all Treasury Bills of 1911 still outstanding; to liquidate all sums advanced by the Bankers to or for account of the*

Republic under the provisions of the Supplemental Loan Agreement of March 26, 1912; to repay all expenses heretofore incurred or disbursements made by the Bankers in connection with the various contracts and negotiations had between them since March 26, 1912; and to pay all expenses incident to the present contract, to the contracts executed by the Republic simultaneously herewith, and to the carrying of the same into effect. Said accounts shall include interest from the date of the respective payments.

4. The balance of said Two Million Dollars ($2,000,000) shall be deposited with the Bankers in New York to the credit of the Republic, and shall be subject to drafts or checks to be drawn by the Minister of Finance or by the Financial Agent of the Republic. Of said balance, Seven hundred and twenty-five Thousand Dollars ($725,000) shall be deposited forthwith and the remainder as soon as the amount thereof be determined upon the liquidation of the other sums hereinbefore provided to be paid.

ARTICLE SIXTH.

Simultaneously with the execution hereof, *the Bankers shall purchase from the National Bank of Nicaragua, Incorporated, one thousand five hundred and thirty (1,530) shares of its capital stock;* and shall pay therefor the sum of One Hundred and Fifty-three Thousand Dollars ($153,000).

ARTICLE SEVENTH.

Any sums hereafter paid out for the Republic by the Bankers on account of cables or other expenses shall be repaid by the Republic upon presentation to its Minister of Finance of the corresponding accounts, accompanied by the usual vouchers; but the Bankers are hereby authorized to apply to the liquidation of said accounts any moneys of the Republic which may at any time be in their hands.

ARTICLE EIGHTH.

In case the Republic shall at any time desire to dispose of all or any part of its shares of stock in the Railroad Company and / or in the Bank, it shall first offer the same in writing to the Bankers, who shall have the right, at their option at any time within thirty (30) days after the receipt of such offer, to purchase the same or any part thereof at the same price and upon the same terms and conditions as may be offered by other intending *bona fide* purchasers. Said preferential right shall continue until said shares shall have actually been sold, paid for and delivered to others in accordance with the foregoing stipulation at prices and upon terms and conditions which the Bankers, within thirty (30) days prior to such sale, shall have declined. Said preferential right shall not apply to any sale of said shares which may be made pursuant to the terms of Contract, "Schedule No. 1," for the purpose of making effective the security provided thereunder; at any such sale, however, the Bankers may purchase said shares for their own account.

In order that the preferential right hereby given may be effective, the certificates of stock of said Republic in said Railroad and in said Bank to be deposited with the United States Mortgage and Trust Company, as Trustee, as provided in Contract, "Schedule No. 1," and any certificates for any further shares which may be issued to the Republic by reason of any increase in the capital stock of said Railroad and / or of said Bank, and any subsequent certificates issued in substitution of any of said shares, shall be appropriately stamped as being subject to the provisions of this Agreement.

ARTICLE NINTH.

The option granted to the Bankers to obtain from the Republic a concession for the construction and operation of a proposed railroad from some point on or near the Atlantic Coast to connect with the Great Lake of Nicaragua or with the lines of Ferrocarril del Pacifico de Nicaragua is hereby cancelled and terminated, and the Bankers are hereby released from the obligations imposed upon them by Article Sixth of Schedule X of the Treasury Bills Agreement of September 1, 1911, with reference to the survey of such proposed railroad.

ARTICLE TENTH.

So long as the Bankers shall own or control fifty-one per cent. (51%) of the capital stock of the Bank, and the Republic shall continue to own forty-nine per cent. (49%) of said capital, *the directors to be elected at the annual meetings of stockholders shall be nominated: six (6) thereof by the Bankers, two (2) by the Minister of Finance of the Republic, and one (1) by the Secretary of State of the United States,* and at each such annual meeting the Republic and the Bankers will vote or cause to be voted the shares so held or controlled by them in favor of the persons to be so nominated, and will elect or cause to be elected such persons as directors of the Bank.

In case of any vacancy in the office of director caused by death, resignation, removal or otherwise, the vacancy thus created shall be filled by a person to be nominated either by the Bankers, the Republic or the Secretary of State of the United States according as the original nomination of the director so dying or withdrawing may have been made by one of them.

The director to be nominated as aforesaid by the Secretary of State of the United States shall, immediately after his election as such director, be appointed Bank Examiner at a monthly salary of Two hundred Dollars ($200) to be paid by the Bank: said director and Bank Examiner shall reside in the United States, but whenever he may deem proper shall, at the expense and cost of the Bank, visit Nicaragua for the purpose of examining into the operations of the Bank; the result of all such examinations, together with the Bank Examiner's recommendations thereon, shall be confidential and shall first be reported to the Board of Directors, but copies of all such reports shall be filed by

the Bank with the Minister of Finance of the Republic *and with the Secretary of State of the United States.*

For the purpose of giving effect to the provisions of this article said provisions, so far as may be necessary or proper, shall be incorporated into the By-Laws of the Bank and said By-Laws shall be amended accordingly.

ARTICLE ELEVENTH.

So long as the Bankers shall own or control fifty-one per cent. (51%) of the capital stock of the Railroad Company, and the Republic shall continue to own forty-nine per cent. (49%) of said capital, the directors to be elected at the annual meetings of stockholders shall be nominated; *six (6) thereof by the Bankers, two (2) by the Minister of Finance of the Republic, and one (1) by the Secretary of State of the United States,* and at each such annual meeting the Republic and the Bankers will vote or cause to be voted the shares so held or controlled by them in favor of the persons to be so nominated, and will elect or cause to be elected such persons as directors of the Railroad Company.

In case of any vacancy in the office of director caused by death, resignation, removal or otherwise, the vacancy thus created shall be filled by a person to be nominated either by the Bankers, the Republic or the Secretary of State of the United States according as the original nomination of the director so dying or withdrawing may have been made by one of them.

The director to be nominated as aforesaid by the Secretary of State of the United States shall, immediately after his election as such director, be appointed Railroad Examiner at a monthly salary of Two Hundred Dollars ($200) to be paid by the Railroad Company: said director and Railroad Examiner shall reside in the United States, but whenever he may deem proper shall, at the expense and cost of the Railroad Company, visit Nicaragua for the purpose of there examining into the operations of the Railroad: the result of all such examinations, together with the Railroad Examiner's recommendations thereon, shall be confidential and shall first be reported to the Board of Directors, but copies of all such reports shall be filed by the Railroad Company with the Minister of Finance of the Republic and with the Secretary of State of the United States.

For the purpose of giving effect to the provisions of this article, said provisions so far as may be necessary or proper, shall be incorporated into the By-Laws of the Railroad Company; the number of directors shall be increased from seven (7), the present number, to nine (9), and the By-Laws shall be amended accordingly.

ARTICLE TWELFTH.

The Bank Examiner and Railroad Examiner mentioned in Articles Tenth and Eleventh shall be one and the same person, and such person shall continue to act in those capacities and as director of the Bank

and of the Railroad Company respectively, so long only as the Republic shall continue to own forty-nine per cent. (49%) of the capital stock of said corporations. Whenever the Republic shall cease to own said amount of stock in either of said corporations, the person then acting as Examiner therefor shall cease to act both as such Examiner and as a member of the Board of Directors, and the Republic shall thereupon procure his resignation, as also the resignation of the two other directors of such Board to be nominated by the Republic as hereinbefore provided.

ARTICLE THIRTEENTH.

The Bankers shall be liable only for the payment of the sums hereinbefore provided, and they shall not be liable for the proper application or disposal of such sums.

The Bankers shall at all times be free from liability in acting upon any notice, request, consent, certificate, paper or other document believed by them to be genuine and to be signed by the person or persons purporting to sign the same.

ARTICLE FOURTEENTH.

Any notice under this Agreement by the Bankers to the Republic shall be in writing, addressed "El Ministro de Hacienda de la Republic de Nicaragua," and shall be deemed to have been duly given if delivered at the Legation of the Republic in Washington, District of Columbia, or at the Consulate of the Republic in the City of New York, or if deposited in the mails enclosed in a sealed, postage-prepaid package, addressed as above to Managua, Nicaragua. Service of such notice shall be deemed complete as of the date of such delivery or as of the date of such deposit in the mails. In each case, however, a duplicate of such notice shall be delivered to the Department of State of the United States.

Any notice to the Bankers shall be given in writing, addressed to Brown Brothers & Company and J. & W. Seligman & Company, and delivered at their offices in the City of New York.

ARTICLE FIFTEENTH.

This Agreement shall be deemed to be, and shall be construed as, a New York contract; and time is of the essence of this Agreement. The provisions of this Agreement shall apply to and in respect of the firms of Bankers constituting the parties of the second part as such firms shall from time to time be constituted, without reference to any change of membership.

ARTICLE SIXTEENTH.

The preferential rights granted hereunder to the parties of the second part are intended for their joint benefit, and in each case such rights shall be exercised jointly by both firms, except that, if in the case of any particular preferential right either of said firms shall elect not to avail itself thereof, the same may be exercised by and shall inure to the benefit of the other firm.

ARTICLE SEVENTEENTH.

The Republic grants to the Bankers the right to sell, assign and convey to any person, company or companies, excepting to foreign governments, all or any part of the rights granted or secured to them hereunder.

ARTICLE EIGHTEENTH.

Within ten (10) days from the date hereof the Republic shall file with the Department of State of the United States of America an original executed counterpart of this contract.

ARTICLE NINETEENTH.

Upon the execution hereof the originals of this contract shall be deposited with Curtis, Mallet-Prevost & Colt, of Number 30 Broad Street, New York, in escrow, to be delivered by them, one (1) to Senor don Pedro Rafael Cuadra, three (3) to the Bankers, and one (1), in accordance with Article Eighteenth above, to the Department of State of the United States, when and as soon as a decree approving this contract sufficient in the opinion of said Curtis, Mallet-Prevost & Colt shall have been made by the Executive of the Republic and deposited with the National Bank of Nicaragua, Incorporated, in Managua, and the latter shall have notified the Bankers by cable of the making and deposit of such decree; provided, however, that such decree shall be made and deposited and notice thereof received within seven (7) days from the date hereof or within such further period as the parties hereto may agree. If such Executive decree be not made and deposited and notice thereof received by cable as aforesaid, within said seven (7) days or within such further period as the parties hereto may agree, this agreement shall be null and void and shall be canceled by said Curtis, Mallet-Prevost & Colt.

In Witness Whereof, the Republic has caused this contract to be subscribed on its behalf by Senor don Pedro Rafael Cuadra, Minister of Finance and Financial Agent of Nicaragua, and said Brown Brothers & Company and said J. & W. Seligman & Company have hereunto set their hands and seals the day and year first above written.

This contract is executed in quintuplicate.

PEDRO RAF. CUADRA
Minister of Finance and Financial Agent of the Republic of Nicaragua.

BROWN BROTHERS & CO. (SEAL)
J. & W. SELIGMAN & CO. (SEAL)

On August 5, 1914, the United States and Nicaragua contracted a Treaty which ceded to this country the rights to build a transcontinental canal through Nicaragua, and to establish naval stations in the Bay of Fonseca. Nicaragua received $3 million for these rights, "to be applied to the payment of its debt, or other purpose of public interest to be agreed upon by the two

High Contracting Powers." This payment was not made until 1917, but on December 22, 1914, the bankers and Nicaragua entered into two new contracts based on the contingency of such payment. The effect of the European War on the Republic's commerce and consequently on its customs receipts caused it to request that its customs be temporarily received by it, and that interest payments on its debt be deferred four months. If the three million dollar payment should be made before January 1, 1915, payments should be immediately resumed. The contract provided for these two conditions, and extended the Treasury Bills another six months at 6 per cent. It also extended the Republic's option to repurchase its railway at the same price it had sold plus interest on the purchase price at 6 per cent. A contract was also entered into with the National Bank for the extension of loans made to the Republic at 12 per cent per annum. This contract also contained details of the moratorium to be enacted, and created a tax on lands to finance the new note issue.

The payment of three million dollars by the Government of the United States was held up until late in 1917. At this time three new contracts were covenanted between Bankers and Republic. The first of these was with Brown Bros. alone. On September 16, 1909, Nicaragua had entered into a Treaty with the United States in settlement of an international claim, for the payment to this country of $600,000 in installments. Only $50,000 had been paid to date, and the remaining principal and interest amounted to $748,986.12. Of this sum Brown Bros. was interested to the extent of $589,656.33. It was agreed that $485,000 of this debt should be paid immediately out of the canal rights payment, and that Deferred Treasury Bills, bearing interest at 6 per cent, should be issued for the remainder. These were to be secured by a lien on the customs, subject to five prior liens mentioned in a Financial Plan of the same date which the Republic bound itself to adopt. The Bills would also be secured by a lien on the railway and bank stock still in the possession of the Republic, subject only to a prior lien in favor of the 1909 bonds.

Another contract was entered into with the bankers collectively, the preamble to which stated that the 1913 Treasury Bills had

been extended from time to time and were still outstanding with interest to the amount of $1,271,181.14. According to the 1914 contracts, the bankers had the right to pay themselves from the canal rights payment. This contract stipulated the payment of a total of $767,693.80 for the bankers' services to date, the interest on the entire amount outstanding, and half the principal. Half the principal remained outstanding and was extended. The Bills were to be secured in the same manner as the Deferred Treasury Bills except that their lien was prior.

The third contract was with the National Bank and provided the payment to it of $111,404.83 which constituted its loans to the Republic. The United States was quoted as approving these three contracts and the disposition made by them of nearly half the sum due Nicaragua.

The Financial Plan which the Republic obligated itself to follow provided for a Collector General as before who was to make his reports regularly to the Secretary of State of the United States, a High Commission created by the Plan to supervise the country's finances, the Bankers, and the Republic. He was not to be interfered with in the discharge of his duties by the Republic unless the total expenses of collection should exceed 6 per cent of the receipts. Six liens were constituted on the customs, as follows:

The expenses of collection.

The expenses incurred by the Bankers, with the provision that a surplus of $10,000 was to remain at their disposal at all times.

The bond issue of 1909.

The exchange fund managed by the National Bank.

The Treasury Bills.

The Deferred Treasury Bills.

The High Commission already referred to was to consist of three members, of which two, including the chairman of the Commission, were to be appointed by the Secretary of State of the United States. The Commission had as its mission, generally, to act as final arbiter in all disagreements, and to supervise the working out of the Financial Plan. The Plan further restricted the national budget to an expenditure of 95,000 cordobas monthly. All taxes, except for two minor revenues, were to be collected by

the Republic and administered according to the Plan. If less than 180,000 cordobas was collected in a period of three months, the collection of the national revenues would pass into the hands of the Collector General of the Customs. The Plan finally provided for the floating of an internal bond issue and its service, and disposed of the possible surplus revenues of the Republic for the retirement of outstanding obligations in a given proportion.

The finances of the country were consequently put on a thoroughly sound basis within the next three years, and in 1920 the Republic made an effort to obtain a large loan to build the Atlantic Railway originally projected in 1911. Its negotiations with the same group of bankers were apparently successful, for four contracts were entered into in this year. They are best described in the following excerpt from the 47th Annual Report of the Council of Foreign Bondholders:

"Three projects were contemplated under the agreement: The construction of a railway to the Atlantic by way of San Miguelito and Monkey Point, the Nationalization of the Pacific Railway, and the consolidation of the external debt. . . . The third would enable them to take advantage of the low exchange of the pound sterling on the basis of which the bonds of 1909 had been issued, in order to reduce the amount of the Debt outstanding. They had obtained a loan of $9,000,000 repayable in fifteen years at 7% interest, and an annual sinking fund of 3%. The text of the negotiation was contained in a Principal Contract and three subsidiary contracts, Viz. Schedules A, B, and C also in the new Financial Plan. The Principal Contract contains the broad general lines of the loan, viz.

(1) The creation of a mixed railway commission with the direction of the construction of the Atlantic Railway and with the administration of the taking over of the Pacific Railway.

(2) The purchase of the Pacific Railway for the sum of $300,000 cash and $1,450,000 in Treasury Bills which were to be issued.

(3) The issue of bonds which would be called 'Seven Per cent Gold Bonds of the Republic of Nicaragua, with Sinking Fund Payable in fifteen years.' This issue would be disposed of as follows:

(a) For the construction of the Atlantic Railway, purchase of 1909 bonds, and for whatever other purposes may be approved by the Minister of Finance and the Bankers $5,500,000

(b) For the payment and withdrawal of Treasury Bills Series A, and after such payment, for the purposes laid down in the preceding paragraph 2,500,000

(c) As a reserve against a possible increase of cost in achieving the purpose specified in (a) 1,000,000

$9,000,000

The details of this agreement are contained in Schedule A.

(4) The issue of Treasury Bills Series A of 1920 which will be in payment on account of the Pacific Railway (Schedule B).

(5) Treasury Bills Series B of 1920 which will be applied as required for the construction of the Atlantic Railway (Schedule C).

"The Central Contract contained a reform of the Financial Plan to remedy certain faults and to remodel it in accord with their experience of several years. The principal reforms consisted in the increase of the budget by 10,000 cordobas per month, and the liquidation of the surplus revenues every six months instead of every twelve months."

Although all these contracts were ratified by the Nicaraguan Government (and it has not been thought necessary to include their texts here, nor to summarize them in detail, since their form and contents must already be familiar from a perusal of the earlier contracts already printed above), what actually happened was this: The Treasury Bills Series A were immediately issued to the Bankers in payment of their stock in the Pacific Railway, as well as divers fees. When it came time, however, for the negotiation of a price for the bonds, the bankers failed to make one which the Republic felt it could afford to accept at 7 per cent interest on par. The bonds, consequently, were never issued, and Treasury Bills Series B remained unissued also. The Bills to the amount of $1,450,000 were therefore the only obligation of the Republic beside the 1909 bonds. These Bills were paid off in 1924. The Bonds remain outstanding.

There has never been any question of a military intervention in connection with the finances of Nicaragua. American soldiers have been landed on several occasions, however, allegedly to quell disturbances, guarantee elections, etc., and a small unit of marines is still present in the country (July, 1925).

Note: The source of the first three texts printed in this section is the *Memoria de Hacienda, Seccion de Estadistica, de la Republica de Nicaragua,* for the years 1911–1912. The texts printed here are unofficial translations. The fourth text is an exact transcript from the English contract as published by the Bankers. All the contracts printed and those mentioned or described in this section are on file at the office of the American Fund for Public Service, 70 Fifth Avenue, New York.

IV. SECURED GOVERNMENT OBLIGATIONS IN EUROPE

Although, prior to the war, loans to European governments constituted a pledge only upon the good faith of the borrowing nation, or Obligor as the loan agreements termed it, post-war loans to European nations have been secured, in several cases, by a pledge of specific revenues in the manner grown familiar to the student of government obligations by its inclusion in loan contracts of so large a number of Latin-American countries since 1904. The average loan contract was formerly a very brief, rather politely worded, perfunctory public document, containing practically no specific terms, even omitting details relative to the service of the loan, which are found in all the loan contracts printed in this Appendix; and, even today, this is still the nature of loan agreements contracted with first class powers, such as Great Britain and France. The contract for the $100 million loan to France of 1924 (J. P. Morgan & Co.) *, for example, is no longer than Article One of most of the Bankers' Contracts printed here. In the case of lesser powers, however, the chief characteristic of the Latin-American contracts has been adopted. This is especially true of essentially post-war nationalities, such as Hungary and Jugoslavia, and other countries that emerged from the international embroglio in a more dubious financial condition than was common to all.

Secured government obligations are held in the United States against Austria, the Czechoslovak Republic, Hungary, Jugoslavia, Germany, Greece, and Poland, to a total amount originally issued in this country of approximately $215 million. The following description of some of these loans is abridged from various sources, including reports in financial publications and the bankers' circular descriptions. Except in the case of the Hungarian loan, the "general bond" of which is printed immediately following, it has been impossible to secure the actual documents

* See p. 400.

involved, the bankers regarding the nature of these loan-agreements too weighted with political consequences, to be made public.

In Austria, an issue of $126 million at 8 per cent, of which $25 million are held in this country, is secured by a pledge of the gross customs receipts and the proceeds of the tobacco monopoly. The service of the loan requires about one-quarter of the estimated revenues so pledged, but during 1924, the revenues exceeded the estimates by 82%.[1]

The securities pledged for the Czechoslovak Republic 8 per cent loan is a lien on the gross custom and the net of the tobacco monopoly. The service of the loan requires about 4 per cent of the estimated revenues so pledged, but during 1924 such revenues amounted to over double the estimates.[1]

$9 million par value of a total Hungarian issue of over $50 million were sold in this country at 87½ to yield 8.75 per cent. The loan is secured by a pledge of the gross customs, sugar tax, tobacco monopoly, and net proceeds of the salt monopoly. These revenues, from the time of their collection, are in the control of an American banking official, called the Commissioner-General, provided for by the Geneva Protocols, of March 14, 1924, in pursuance with which the loan is contracted. In his absence, they will be controlled by the Trustees for the Bondholders, who, in any event, are to receive monthly payments out of the revenues sufficient for the service of the loan. This control is to continue in the discretion of the Council of the League of Nations, and may be restored at any time so long as there are bonds outstanding. The entire product of the loan, in addition, is to be in the hands of the Commissioner-General mentioned above. The revenues pledged for the loan have proven to be over ten times as great as required.[1] The bankers' prospectus, and a note from them in this connection, may be of interest. *

Over $15 million of an 8 per cent Jugoslav issue is secured by a pledge of miscellaneous government monopolies, net customs receipts, and gross receipts from railways.

* See p. 386.

[1] *Foreign Securities Investor*, Apr. 29, 1925, p. 7.

The recent 7 per cent German "Dawes Plan" issue, held in this country to an extent of 110 millions, is secured by the gross customs, tobacco tax, beer tax, sugar tax, and net proceeds of spirits monopoly. The revenues so pledged have proven to be sixteen times as great as required.[2]

A 7 per cent Greek Refugee Loan of nearly $60 million, of which $9 million are held here, is secured by miscellaneous revenues, customs, and monopolies. The loan is administered under an International Financial Commission.

A Polish issue of $35 million at 8 per cent, all of which is held here, is secured by a sugar tax and the gross receipts of the railways.

The loans cited above offer interesting analogies to the Latin-American loan-agreements printed in the foregoing sections. Therefore, the full text of the "General Bond" of the Hungarian loan has been printed below. Finally, and by way of significant contrast, it has been considered fitting to print at the end of this section a typical loan agreement made to an insolvent government which nevertheless "commands our respect." Reference is made to the recent J. P. Morgan & Co. loan to France, the agreement for which is printed below.

(a) Banker's Description of Hungarian Customs Loan

$7,500,000

STATE LOAN OF THE KINGDOM OF HUNGARY 1924

7½ Sinking Fund Gold Bonds

Dated August 1, 1924 — Due February 1, 1944

Interest payable February 1 and August 1. Principal and interest payable in New York at the office of Speyer & Co., in United States Gold Coin of present standard of weight and fineness, without deduction for any Hungarian taxes, present or future. Coupon Bonds in denominations of $1,000, $500 and $100.

Not subject to redemption before February 1, 1934, except for Sinking Fund

Redeemable at any time on and after that date, at the option of the Government, with the consent of the Trustees, as a whole

[2] Ibid., p. 9.

(but not in part except for Sinking Fund), upon not less than six months' notice, at par and accrued interest.

Cumulative Annual Sinking Fund, beginning February 2, 1925, sufficient to redeem the entire issue at or before maturity, to be applied to redemption of Bonds through purchase in the market, if obtainable at less than par and accrued interest, or, if not so obtainable, through annual drawings by lot at par and accrued interest.

These Bonds and £7,902,700 Sterling Bonds to be offered simultaneously in London by Messrs. Baring Brothers & Co., Ltd., N. M. Rothschild & Sons and J. Henry Schröder & Co., are part of an International Loan to be issued also in Czechoslovakia, Holland, Italy, Sweden, Switzerland, Hungary and other countries, in various currencies, for amounts sufficient to yield to the Government in the aggregate an effective sum not exceeding the equivalent of 250,000,000 Hungarian Gold Crowns, or about $50,650,000.

Guarantees established for the protection of the Bondholders.

The following is a summary taken from a statement which has been approved by Hon. Jeremiah Smith, Jr., Commissioner-General of the League of Nations for Hungary and by Baron Frederick de Koranyi, Hungarian Minister of Finance:

The Loan is issued pursuant to the Geneva Protocols, dated March 14, 1924, approved by the Council of the League of Nations and ratified by the Hungarian Government, for the purpose of effecting the financial and economic reconstruction of Hungary in accordance with the plan of the Council of the League. This plan provides for the stabilization of the Hungarian currency and the balancing of the budget on a permanent basis through taxation by June 30, 1926. The execution of this plan is under the supervision of the Commissioner-General appointed by the Council of the League and responsible to it. Hon. Jeremiah Smith, Jr., of Boston, has been appointed to this office. The proceeds of the Loan will be placed under the control of the Commissioner-General and will be used to cover the excess of expenditures over revenues during this period of reconstruction.

The Loan will be secured by a first charge on the gross revenues from the Customs, the Sugar Tax, and the Tobacco Monopoly, and the net revenue from the Salt Monopoly. The receipts from these revenues for the first four months of 1924 were at the rate of about 80,000,000 Gold Crowns (about $16,208,000) per annum, or over two and one-half times the annual requirements for interest and sinking fund payments on the Loan amounting to about $6,280,600. The Loan will be additionally secured, if required by the Commissioner-General (or by the Trustees for the Bondholders when no Commissioner-General is functioning), by a first charge on any other revenues (except those of the State Railways) and assets of the Government. The security for this Loan will extend

to any loan which the Government may issue to redeem on or after February 1, 1934 the then outstanding balance of any issue forming part of this Loan, but no other lien on the above revenues and assets may be created ranking in priority to or pari passu *with the lien of this Loan.*

By agreements with the United States, Great Britain, and other nations interested, the obligations for Relief Bonds have been subordinated to the lien of this Loan, and all charges for Reparations, imposed under the Treaty of Peace, have likewise been subordinated by the Reparation Commission.

The revenues pledged will be paid, as collected, into a special account, controlled by the Commissioner-General and, when no Commissioner-General is functioning, by the Trustees for the Bondholders appointed by the Council of the League of Nations. Out of these funds there will be transferred to the trustees, in accordance with the terms of the Loan, on the first of each month, one-twelfth of the annual requirements for interest and sinking fund.

A Reserve Fund in cash, sufficient to cover one-half of the annual interest and sinking fund requirements of the Loan, is to be kept on deposit with the Trustees to meet any deficiency in the service of the Loan. Any amount drawn from this fund is to be forthwith made good by the Hungarian Government.

Control by the Commissioner-General will continue until the Council determines that financial stability is assured, but such control may be reestablished at any time while any part of the Loan is outstanding, if the balance of the budget or the security for the Loan is endangered.

Great Britain, France, Italy, and the neighboring States of Rumania, Yugoslavia, and Czechoslovakia, in a Protocol signed March 14, 1924, joined with Hungary in solemn declaration to respect the political and economic independence, territorial integrity and sovereignty of Hungary, and the guarantees established for the protection of the bondholders.

Hungary occupies an area of 35,911 square miles, with a population, according to the census of 1920, of 7,987,000; its area is approximately three times that of Belgium or Holland, and its population is greater. Budapest, the capital and principal city, with a population of 928,996, is a center of rail and inland water transportation, and is the leading flour milling city in Europe. The country is mainly agricultural; it is self-supporting as to food supply and rich in natural resources.

We offer the above Bonds for public subscription, when, as and if issued and received by us, and subject to the approval of counsel, at

87½% and accrued interest, to yield about 8.85%

The right is reserved to reject any application and also to allot a smaller amount than applied for. Payment for Bonds allotted is to be made in New York funds on or about August 1, 1924 at the office of

Speyer & Co., 24–26 Pine Street, New York, against delivery of Temporary Certificates exchangeable for Definitive Bonds when ready.

SPEYER & CO. THE EQUITABLE TRUST COMPANY OF NEW YORK

HAYDEN, STONE & CO. HAMBLETON & CO.

The above statements, so far as they are not taken from the statement approved by Hon. Jeremiah Smith, Jr., have been obtained from official and other sources which we believe to be reliable, but they are not guaranteed by us.

July 2, 1924.

(b) Excerpt from Private Communication of the Bankers Explaining Security

Speyer & Co.

New York, July 23, 1925

R. W. Dunn, Esq.,
Dear Sir,

Answering your letter of July 22nd, we beg to state that the prospectus in connection with our issue of Hungarian Bonds is part of the contract. All points regarding security, etc., are embodied in the General Bond, which is reproduced on the back of the Bonds.

(c) Text of General Bond

STATE LOAN OF THE KINGDOM OF HUNGARY 1924.

Issue of long term Bonds of various denominations and in various currencies by the Hungarian Government in pursuance of the Protocols Act of the Hungarian Parliament and Resolution scheduled hereto to secure sums producing in the aggregate an effective sum of not more than the equivalent of Two Hundred and Fifty Million Gold Kronen plus the expenses of issue of negotiation and of delivery.

GENERAL BOND.

Whereas these presents are for the purpose of carrying into effect and are to be read as supplemental to the Protocols Nos. I and II and the Act of Parliament and Resolution specified in the Schedule hereto which are deemed to be incorporated herein.

And whereas the Government of the Kingdom of Hungary has determined to contract the said long term Loan in the said scheduled Protocols Act of Parliament and Resolution referred to in the manner and upon the terms and conditions hereinafter contained.

And whereas these presents have been submitted to and approved by the Commissioner-General.

And whereas the signatory on behalf of the Hungarian Government is duly empowered according to the Law of Hungary to execute these presents so as to bind validly the State of Hungary and the Government thereof for the time being.

Now these presents witness and declare as follows:—

1. The Loan to be constituted and secured in pursuance of these presents shall be called and known as the "State Loan of the Kingdom of Hungary 1924."

2. These presents shall be printed in the English and French languages and all definitive bonds to be issued by the Government of the Kingdom of Hungary (hereinafter called "the Hungarian Government") in respect of the said Loan shall be printed in the English and Hungarian languages and the language of the country in which such respective Bonds shall be issued. In the event of any divergence between the texts the English text shall prevail both in respect of these presents and the said Bonds.

3. The total authorised amount of the Loan is such a nominal amount as shall be necessary to yield an effective sum of not more than the equivalent of Two Hundred and Fifty Million Gold Kronen plus the expenses of issue of negotiation and of delivery. The Hungarian Government shall be at liberty at any time and from time to time to raise such portion or portions of the said authorised amount of the Loan as the Hungarian Government with the previous sanction of the Commissioner-General shall think fit. Such issue or issues shall be made in such country or countries and (except in respect of any Bonds that may be issued in Hungary) in the currencies of the respective countries and secured by definitive Bonds of the Hungarian Government issued at such price or prices and of such denominations and generally on such terms as the Hungarian Government with such sanction as aforesaid shall from time to time decide. All such Bonds shall carry interest at such a rate per centum per annum as shall be specified therein and such interest shall be payable at such bank or other financial institution or institutions as shall be named by the Trustees situate in and (except in respect of any Bonds that may be issued in Hungary) in the currency of the country where such Bonds shall respectively be issued by half-yearly instalments on the First day of February and the First day of August in every year. All definitive Bonds issued by the Hungarian Government in respect of the Loan shall rank pari passu irrespective of date or place of issue or otherwise.

4. Prior to or simultaneously with the issue of any portion of the said Loan the Hungarian Government shall give to the Trustees an acknowledgment in writing (under the hand of the Royal Hungarian Minister of Finance for the time being) that the Hungarian Government is indebted to the Trustees to an amount equivalent to and in the same currency as the portion of the said Loan about to be issued carrying interest at the rate to be specified in the Bonds of such issue payable by half-yearly instalments on the said First day of February and First

day of August in every year AND the Hungarian Government hereby covenants with the Trustees that as and when the principal moneys secured by the definitive Bonds to be issued by the Hungarian Government in respect of the said Loan or any part thereof ought to be redeemed or paid off the Hungarian Government will pay in the respective currencies of issue to the Bondholders or those whose Bonds ought to be redeemed or paid off in accordance with the provisions of these presents the full nominal amount of the same at such place or places and in such manner as the Trustees shall direct and will in the meantime pay in the respective currencies of issue to the Bond-holders interest on the principal moneys secured by their Bonds and such interest shall be paid by half-yearly instalments on the said First day of February and First day of August in every year at such place or places and in such manner as the Trustees shall direct, in the event of any overdue interest not being claimed by a Bond-holder for a period of six calendar years after the due date for payment of the same or in the event of any principal moneys not being claimed by a Bond-holder for a period of twenty calendar years after the due date for payment of the same such Bond-holder shall no longer be entitled to recover payment of such interest or principal but the same shall revert and belong to the Hungarian government.

5. FOR the purposes of the payment of the interest on and the redemption of the whole of the said Loan there shall be provided in each financial year (as hereinafter defined) in respect of each particular issue (as hereinafter defined) a fixed gross annual sum which shall be equivalent to (a) one year's interest on the total original nominal amount of each such particular issue plus (b) an amount equal to the sum which will be required to provide the initial year's operation of the annual cumulative sinking fund of each such particular issue requisite to redeem at par the whole of the Bonds of each such particular issue by the first day of February One Thousand nine hundred and forty-four the first year of redemption being the financial year ending the first day of February One thousand nine hundred and twenty-six. Such fixed gross annual sum in respect of each particular issue shall be calculated in the currency of such issue and shall be determined by the Trustees on or before the first day of January One thousand nine hundred and twenty-five.

The following provisions as to redemption shall have effect:—

(1) Each issue at any time made in a particular currency to raise any portion of the total authorized amount is hereinafter referred to as a "particular issue" and for the purposes of this clause shall be deemed to be a separate issue.

(2) For the purposes of this clause the period of the Loan shall be deemed to be divided into financial years expiring on the first day of February in each calendar year the first financial year in respect of each particular issue being the period from the date when the Bonds of such particular issue are first publicly offered for subscription to

the first day of February next following such date and subsequent financial years being from the second day of February in each calendar year to the first day of February in the following calendar year and the last financial year in respect of any particular issue being the financial year expiring on the first day of February One thousand nine hundred and forty-four.

(3) For each particular issue and in each financial year the balance of the said fixed gross annual sum (after providing for the total interest on the Bonds of such particular issue outstanding at the commencement of such financial year) shall be applied by or under the direction of the Trustees in or for the redemption in manner hereinafter mentioned of such number of Bonds of such particular issue and outstanding as the amount of such balance will suffice to redeem such Bonds so to be redeemed being selected by drawings subject however as hereinafter mentioned in subclauses (6) and (7).

(4) The drawings shall be made in respect of any year in which drawings are necessary between the nineteenth and the thirty-first days of the month of December in each financial year in such manner and by and in the presence of such person or persons and at such time and subject to such regulations as the Trustees shall deem expedient.

(5) Forthwith after any such drawing shall have been effected the Trustees shall take or cause to be taken such steps as they shall deem convenient by advertisement in newspapers or otherwise for notifying the Bond-holders whose Bonds shall have been drawn for redemption and for naming a time and place and generally for providing for the presentation for payment and cancellation of such Bonds complete with unmatured interest coupons against payment of the principal moneys thereby secured. The Trustees may also where necessary publish in each year a list of the numbers of the Bonds drawn in preceding years which have not been presented for payment. No drawn Bond shall continue to carry interest after the due date for payment of the principal moneys. All drawn Bonds shall be due for payment of principal on the first day of February immediately following the date of drawing. The Bonds presented for payment must have attached thereto all unmatured coupons and in the event of one or more of such coupons being absent the amount of the same will be deducted from the sum payable to the Bond-holder.

(6) Provided that the Hungarian Government shall be entitled during any financial year commencing on or after the second day of February One thousand nine hundred and twenty-five to purchase up to and including the nineteenth day of December in such financial year, Bonds at less than par plus accrued interest. And to the extent that on or before such nineteenth day of December in any financial year the Hungarian Government proves to the satisfaction of the Trustees such purchases during such financial year the amount applicable in respect of such financial year under the preceding provisions

of this clause to the redemption of the Bonds of any particular issue shall be reduced by the actual purchase price (exclusive of accrued interest) paid by the Hungarian Government for the purchase during such financial year of Bonds of such particular issue and any necessary adjustments shall be made accordingly. And the Hungarian Government shall provide and whilst there shall be no existing default by such Government in any of its obligations under these presents be entitled to require that the whole or any portion of the moneys in the hands or under the control of the Trustees and applicable in accordance with the provisions of these presents to the redemption in respect of a financial year of Bonds of any particular issue be applied at any time during any such financial year up to and including the nineteenth day of December in or towards the purchase of Bonds of such particular issue at less than par plus accrued interest and the Trustees may accordingly purchase such Bonds or cause or allow the same to be purchased and the Trustees shall make all adjustments necessary to give effect to the foregoing provisions.

(7) In the event of there being any default either partial or total by the Hungarian Government in providing the necessary moneys for the service of the redemption of the Bonds of any particular issue in accordance with the provisions of these presents then during the continuance of such default the Trustees may up to and including the nineteenth day of December in any financial year in respect of which default shall be made *utilize* or expend any moneys in their hands or under their control in the manner provided in the last preceding sub-clause in purchasing or causing or allowing to be purchased any Bonds of such particular issue at less than par plus accrued interest but this provision shall not in any way operate to relieve the Hungarian Government from the due fulfillment of its obligations under any of the other provisions of these presents.

(8) It is understood that in each financial year in which Bonds are purchased under the provisions of sub-clauses (6) and (7) hereof the half-yearly payment or payments of interest on such purchased Bonds becoming due during the period from the date of purchase up to and including the end of such financial year shall be credited to the Hungarian Government.

(9) All Bonds so drawn for redemption or purchased under the preceding provisions shall be cancelled in manner required by the Trustees and lodged with them or dealt with as they may direct and shall not under any circumstances be reissued nor shall any other obligations be issued in substitution therefor.

(10) All dates and periods mentioned or referred to in these presents or in any Bond or security issued hereunder or in connection herewith shall be computed or calculated according to the Gregorian Calendar of New Style.

6. In order to ensure no interruption taking place in the service of the interest on and the redemption of the Bonds of each particular

issue the Hungarian Government forty-five days prior to the due date for the payment of any instalment of interest and forty-five days prior to the date on which any of the said Bonds have to be redeemed in accordance with the provisions of Clause 5 shall set aside and pay to the Trustees or as they shall direct the necessary funds for the service of such interest and redemption.

7. THE Hungarian Government shall with the consent of the Trustees be entitled to redeem the whole of the outstanding Bonds of the Loan or of any particular issue or issues thereof on or after the first day of February One thousand nine hundred and thirty-four subject to not less than six calendar months' previous notice expiring on one of the half-yearly days for payment of interest. Every notice as aforesaid shall be given by public advertisement in such newspapers of the country concerned as the Trustees shall approve and the redemption generally shall (subject as is by this clause specifically provided for) be effected in accordance with such regulations and provisions as the Trustees shall make in connection with any such redemption or (in the event of the failure of the Trustees to make any such specific regulations and provisions) then in such manner as the Trustees may from time to time approve. On the expiration of the notice the Hungarian Government shall in accordance with the said regulations and provisions or as the case may be with the approval of the Trustees pay in the currency of each issue concerned the full nominal amount of the Bonds so to be redeemed together with interest up to the expiration of the notice against presentation for payment and for cancellation of the Bonds so to be redeemed complete with current and unmatured interest coupons PROVIDED ALWAYS that nothing in this clause contained shall relieve the Hungarian Government from the due fulfillment of its obligations under any of the other provisions of these presents.

8. THE amounts required for the service of the Loan in accordance with the foregoing provisions of these presents that is to say the amounts required for paying or providing for interest and redemption shall be and remain a first charge on the gross revenues of the Hungarian Government from the customs the sugar tax and the tobacco monopoly and the net revenue of the Hungarian Government from the salt monopoly and if in accordance with the provisions of Article X of Protocol No. II the Commissioner-General or (as the case may be) the Trustees shall deem it necessary upon such other specific revenues and assets (except the revenues from state railways) as may be determined in accordance with the provisions of the said Article X and the Hungarian Government and the Commissioner-General hereby acknowledge that such gross and net revenues shall forthwith stand charged accordingly. The Hungarian Government shall be entitled on or at any time or times after the first day of February One thousand nine hundred and thirty-four to secure by like charges ranking pari passu with the charges hereby created and agreed to be created the annual service of interest and redemption of the Bonds of all loans which the Hungarian Government may raise for the purposes of enabling them to pay or provide

for the payment of any principal moneys due in respect of any particular issue redeemed by the Hungarian Government under the provisions of Clause 7 hereof provided that such new charges shall not diminish the security of any of the other outstanding Bonds of the Loan. And the Hungarian Government hereby covenants with the Trustees that the Hungarian Government will not without the prior consent of the Trustees create or attempt to create any mortgage or charge and will not take any measures which in the opinion of the Commissioner-General would be such as to diminish the value of any of the above mentioned revenues or assets so as to threaten the security of the Bond-holders.

9. WITH a view of carrying into effect the said charge there shall be paid and appropriated out of the special account referred to in Article XI of Proctocol No. II, to the Trustees or as they may direct (a) on the first of each calendar month of the financial year ending the first day of February One thousand nine hundred and twenty-five such a sum as shall be the equivalent of at least one-twelfth of the amount necessary to meet the annual service of interest on the Bonds of the Loan for such financial year (b) on the first of each calendar month of each succeeding financial year such a sum as shall be the equivalent of at least one-twelfth of the amount necessary to meet the service of the interest on and the redemption of the Bonds of the Loan for each such financial year and (c) on the first of each calendar month of each and every financial year one-twelfth of such an annual sum as shall be sufficient to enable all charges commissions and other payments to be made by the Hungarian Government in connection with the said Loan for each of the said several financial years to be discharged. The amount to be paid and appropriated out of the said account on the first day of each month in any particular year shall be apportioned between the particular issues of the Bonds made in the various countries and in proportion to the respective aggregate amount of the yearly service for such year of the Bonds of each such particular issue respectively and the amount apportioned to each such particular issue shall be paid to or at the direction of or appropriated by the Trustees in the currency of each such issue at or for such place or places within the country of issue and otherwise as the Trustees shall require. The Commissioner-General shall to the extent to which the moneys standing to the credit of the said special account for the time being under his control shall permit, do all things requisite for carrying into effect the provisions of this clause.

10. NOTHING in Clause 9 hereof shall relieve the Hungarian Government from its obligations under Clause 6 hereof PROVIDED NEVERTHELESS that in making the payments required by Clause 6 hereof the Hungarian Government shall be given credit as the Trustees shall direct for the payments made pursuant to the provisions of Clause 9.

11. THE Hungarian Government shall out of the first proceeds of each particular issue made in respect of the Loan (subject only to the satisfaction out of such proceeds if and so far as the same shall be bound to be so applied of any outstanding short term liabilities of the

Hungarian Government raised in anticipation of the Loan) or to the extent to which such proceeds shall be deficient then out of other moneys within four weeks after such particular issue shall have been made pay to the Trustees or as they may direct a sum in the currency of issue equal to one-half of the total amount required for the service of interest and redemption in the first year of redemption. Such sum shall be retained by or under the directions of the Trustees and shall be applicable at their discretion to make good at any time or from time to time any default or deficiency on the part of the Hungarian Government in providing in whole or in part in accordance with the foregoing provisions of these presents the sums required for the service of the Bonds of such issue. Nothing in this clause shall be construed so as to relieve the Hungarian Government from any of its obligations under the foregoing provisions of these presents or to nullify any default by the Hungarian Government in respect of such obligations. In the event however of the Hungarian Government making any default in any such obligations and the Trustees in their discretion deciding to apply and applying the whole or any part of any such sum as aforesaid in or towards making good any such default in respect of the Bonds of such issue the Hungarian Government shall forthwith on demand pay to the Trustees or as they shall direct a sum equal to the sum so applied by the Trustees and in the same currency and such sum shall be held and be applicable in the same manner as the original sum and so often as the same or any part shall be applied as aforesaid the Hungarian Government shall be bound to recoup the same to the Trustees for the purposes aforesaid but so nevertheless that during the last financial year in which any Bonds of such issue shall be outstanding the Trustees shall be entitled if they so think fit to allow the Hungarian Government credit for the whole or any part of the sum standing at the disposal of the Trustees under this clause in respect of the payments required of the Hungarian Government for the service of the Loan for such last year under the foregoing provisions of these presents and to release the Government accordingly from its full obligations under such provisions. In the event of the Bonds of any particular issue being wholly redeemed or paid off the Trustees shall not if any Bonds of any other issue are still outstanding hand over to the Hungarian Government any moneys in their hands or at their disposal provided under this clause in respect of the issue redeemed or paid off but shall retain and hold the same (in such a manner as the Trustees think fit) as a general reserve fund to make good as and when the Trustees shall think fit any default in respect of any other issue or issues of the Loan.

12. Any moneys for the time being in the hands of or under the control of the Trustees under the foregoing provisions of these presents and not immediately required to be applied in the purchase or redemption of Bonds payment or interest making good a default or otherwise as hereinbefore provided shall continue to be the moneys of the Hungarian Government and may be placed on deposit with such bank or

banks and at such rate or varying rates of interest and generally on such terms as the Trustees may in their sole discretion agree or the Trustees may purchase with the same and hold short term obligations of the Governments of the countries in which issues of this Loan have been made (excepting the Bonds of this Loan) and all interest or other income when actually received by the Trustees shall be added to the moneys so in the hands of or under the control of the Trustees and shall operate to relieve or release the Hungarian Government from its obligations under the foregoing provisions of these presents.

13. The principal and interest of all the Bonds issued in respect of the Loan shall be paid without deduction for all present or future Hungarian taxes, stamp or other duties, dues or public charges of any kind whatsoever and neither shall this General Bond nor any other document or letter bearing upon the said Loan be subject to any Hungarian registration fees, stamp duties or other duties or deductions of any nature present or future. The principal and interest of the Bonds will be paid in time of war as well as of peace and no matter whether the holders of the Bonds are subjects of a state friendly or hostile to the Hungarian State. The Hungarian Government will further in no case attempt to attach or sequestrate these Bonds.

14. As often as any default by the Hungarian Government shall be made in whole or in part in carrying out any of the provisions of Clauses 6 and 11 hereof the Trustees shall forthwith if the premises hereby charged or agreed to be charged shall not be under the direct control of the Trustees intimate the nature and extent of the default to the Commissioner-General and the said Commissioner-General acting by virtue of the powers conferred upon him by Protocol No. II. shall if requested by the Trustees or the Trustees themselves if they shall be in direct control of the said premises shall forthwith take all necessary steps to retain, collect or otherwise provide out of the said premises (including such other assets as may be brought into charge under the foregoing provisions of these presents and Article X. of Protocol No. II.) sufficient funds to remedy and make good any such default as aforesaid and to provide for the due and punctual carrying out in the future of the provisions of Clauses 6 and 11 hereof without any further default.

15. The definitive Bonds to be issued by the Hungarian Government shall be signed on behalf of such Government by the Royal Hungarian Minister of Finance, the Director of the Royal Hungarian State Central Treasury, the Royal Hungarian Chief Accountant and by such person or persons specifically and duly authorised in writing so to do by the said Minister of Finance. The signatures of the said Minister of Finance, the said Director and the said Chief Accountant shall be facsimile signatures reproduced either by engraving, lithography or any other suitable process.

16. In case any of the said Bonds shall at any time become mutilated or destroyed or lost a new Bond of like amount tenor and date bearing

the same number will be issued by the Hungarian Government in exchange for and upon cancellation of the Bond so mutilated and its coupons or in lieu of the Bond so destroyed or lost and its coupons but in the case of destroyed or lost Bonds only upon receipt by the Trustees and a representative of the Hungarian Government of evidence satisfactory to them that such Bonds and coupons were destroyed or lost and upon receipt also of a satisfactory indemnity.

17. The Chairman for the time being of the Financial Committee of the Council of the League of Nations shall be the first Trustee of these presents but this appointment shall not extend beyond the expiration of the first six months from the date of these presents. On or before the expiry of such period three Trustees shall be appointed by a resolution of the Council of the League of Nations. The express "the Trustees" where used in these presents shall where the context so requires or admits include the said Chairman or other the Trustees or Trustee for the time being of these presents.

18. So far as practicable the number of Trustees of these presents shall be kept up to three. The Council of the League of Nations may at any time by resolution remove any Trustee. A Trustee may at any time resign on giving one month's previous notice in writing to the Council of the League of Nations. In the event of the death or resignation or removal of a Trustee or a Trustee becoming in the opinion of the Council of the League of Nations unfit or incapable of acting in the trusts hereof or in the event of a vacancy occurring for any other reason in the office of Trustee, the Council of the League of Nations may by resolution appoint any other person or persons to be a Trustee or Trustees of these presents in place of the Trustee or Trustees so dying, resigning, removed, becoming unfit or incapable of acting or otherwise ceasing to be a Trustee or Trustees. The Council of the League of Nations may at any time or from time to time appoint any additional Trustee or Trustees of these presents. The continuing Trustees may act notwithstanding any vacancy in their body and notwithstanding that their number be for the time being reduced below three. Whenever there shall be more than two Trustees hereof the majority of such Trustees shall be competent to execute and exercise all the trusts, powers and discretions hereby vested in the Trustees generally. A body corporate may at any time be appointed a Trustee of these presents.

19. The Hungarian Government shall in each and every year during the continuance of the Loan pay to each of the Trustees for the time being of these presents a sum at the rate of One Hundred and Five Pounds Sterling per annum (or such other rate as the Hungarian Government with the consent of the Council of the League of Nations may agree with the Trustees) by equal half-yearly payments on the First day of February and the First day of August in every year in addition to all travelling and other costs, charges and expenses which he may incur in relation to these presents.

20. In the event of any interest or principal moneys not being punctually claimed when due by the person or persons entitled thereto the Trustees shall hold the same on trust for the persons entitled thereto under the provisions of these presents but in the meantime the Trustees shall in no case be obliged to deposit or to invest any such moneys in their hands or under their control so that the same may earn interest or other income but such moneys may be kept on current account without interest. Furthermore, the Trustees shall not in any event be obliged to retain or hold any moneys due in respect of principal or interest subsequently to the expiration of two calendar years after the date on which the last outstanding bond of the Loan should have been paid off but they may in their discretion pay the same to the Hungarian Government who shall continue to hold such moneys upon the same terms and subject to the same obligations as the Trustees would have held them and the receipt of the Hungarian Government to the Trustees for any of such moneys so paid as aforesaid shall be and remain a good and sufficient discharge to the Trustees for such moneys and in respect of claims by all persons in respect thereof.

21. In these presents (a) the term "Commissioner-General" shall (where the context so admits or requires) be deemed to include the person for the time being occupying the position of Commissioner-General or the person or persons for the time being authorised to exercise the special control of the assets assigned for the service of the loan and (b) the term "Bonds" shall in the case of the definitive Bonds, to be issued by the Hungarian Government, include both Bonds to bearer and Bonds inscribed or registered. The form of such Bonds and also any regulations and machinery for registering or inscribing any such Bonds shall be such as the Trustees approve or prescribe.

The SCHEDULE above referred to:

14th March 1924.—Protocol No. I. of this date signed at Geneva deposited with and Registered by the Secretariat of the League of Nations.

14th March 1924.—Protocol No. II. ditto.

HUNGARIAN LAW No. IV of 1924 sur le retablissement de l'equilibre du budget.

14th June 1924.—RESOLUTION of the Council of the League of Nations.

DONE at Budapest, this twenty-seventh day of June One thousand nine hundred and twenty-four in the English and French languages.

JEREMIAH SMITH, m. p.
Commissioner-General.
BARON FREDERICK KORANYI, m. p.
The Royal Hungarian Minister of Finance.

(d) Government of the French Republic External Loan of 1924

$100,000,000
Twenty-five Year Sinking Fund 7% Gold Bonds
Dated December 1, 1924.

LOAN CONTRACT
Dated November 22, 1924.

THE GOVERNMENT OF THE FRENCH REPUBLIC
EXTERNAL LOAN OF 1924.
LOAN CONTRACT

Contract dated November 22, 1924, made by

The Government of the French Republic, hereinafter termed "Obligor," acting by Mr. Clementel, Minister of Finance, thereunto duly empowered, with

J. P. Morgan & Co., hereinafter termed "Bankers," a co-partnership domiciled in the City of New York, State of New York, United States of America.

The Obligor announces that to evidence an External Loan to be issued in the United States of America, it purposes to issue its Bonds for the aggregate principal amount of $100,000,000, payable in gold coin of the United States of America; and that to define the terms of such Loan and of the Bonds it covenants as in this contract set forth.

ARTICLE ONE.

The Obligor covenants with the Bankers as follows:

Section 1. The Bonds of the Loan are to be designated "The Government of the French Republic External Loan of 1924 Twenty-five Year Sinking Fund 7% Gold Bonds," and the aggregate principal amount thereof is to be $100,000,000. Such Bonds (hereinafter in this contract referred to as the Bonds) shall be dated December 1, 1924, shall be due December 1, 1949, and shall not be subject to earlier redemption except by operation of the sinking fund for which provision hereinafter is made.

The interest on the Bonds shall be payable semi-annually June 1 and December 1 in each year, and coupons for the collection of such interest shall be attached to the Bonds.

Section 2. The Bonds and the coupons shall be expressed in the English language. The text of the definitive Bonds and of the coupons for interest thereon shall be substantially as set forth in Schedule A hereto attached. Such Bonds shall be printed from engraved plates in a manner conforming to the requirements of the New York Stock Exchange for quotation.

Pending the delivery of such definitive Bonds, the Obligor will issue

temporary or provisional Bonds, either printed from type or lithographed. The text of the temporary Bonds shall be substantially as set forth in Schedule B hereto attached.

Application for listing the temporary and definitive Bonds on the said New York Stock Exchange will be made by the Government as promptly as practicable.

Section 3. The definitive Bonds will be issued in denominations of $1,000, $500 and $100. The temporary Bonds also will be issued in such denominations, as well as in other denominations if so requested by the Bankers.

Section 4. In case of the destruction or mutilation of any Bond or coupon, a duplicate will be issued upon proof of such destruction or upon surrender of the mutilated Bond or coupon, as the case may be, and upon the giving of proper indemnity to the Obligor and its paying agents, and upon payment by the applicant for such duplicate of the cost of the preparation and issue thereof.

Section 5. The Bonds and the coupons and all payments thereon shall be exempt from any and all taxes, imposts, stamp dues and assessments now or at any time hereafter imposed or levied by the French Republic or any of its Provinces or municipalities or other taxing authorities thereof or therein.

ARTICLE TWO.

The Obligor further covenants with the Bankers for the benefit of the holders, severally and respectively of the Bonds, as follows:

Section 1. So long as any of the Bonds shall be outstanding, the Obligor will pay to its Fiscal Agents for the service of the Loan, on the first day of January, 1925, and on the first day of each and every month thereafter until the maturity of the bonds or until all thereof shall have been retired, one-twelfth of the sum of $4,200,000, in gold coin of the United States of America or its equivalent. Such payments shall constitute a sinking fund sufficient to retire annually one-twenty-fifth of the entire issue at 105 per cent, and shall be applied by such Fiscal Agents as administrators of the sinking fund to such amortization as in this Article Two provided.

Section 2. When and as any such moneys shall be received, such sinking fund administrators shall apply the same to the purchase from time to time of Bonds of the issue at the lowest price readily obtainable in the market, not exceeding 105 per cent. and accrued interest, in any manner customary in the locality where such purchases shall be made, and whether at public or private sale or by inviting (by advertisement at the cost and expense of the Obligor) tenders of such bonds for sale to the sinking fund within said limit as to price, all as in their discretion the Fiscal Agents shall deem most advantageous to the Obligor.

Section 3. In case on the fifteenth day of September in any year any moneys shall remain in the sinking fund unapplied as aforesaid, then such moneys if the amount thereof be not less than $100,000, or such moneys irrespective of the amount if the Obligor shall so instruct, shall

be applied by the sinking fund administrators to the redemption by call of Bonds selected by lot, as follows:

The sinking fund administrators shall cause to be determined by lot, in such manner as they shall deem proper, the serial numbers of such principal amount of the bonds as the moneys in the sinking fund shall be sufficient to redeem at the rate of 105 per cent. of the principal sum thereof. If and as instructed by the Obligor prior to any such drawing, the sinking fund administrators shall include therein, also, such an amount of the Bonds as at said rate of 105% of the principal sum, can be redeemed by the use of the sinking fund instalments payable on the next ensuing first day of October, of November and/or of December, as shall be specified in such instructions, and such instalments so specified, when received by the sinking fund administrators, shall be applied to the redemption of Bonds so drawn, on the next ensuing redemption date. Thereupon, the sinking fund administrators shall cause to be published four times prior to the redemption date the first publication to be not less than 45 days prior to the redemption date, in two newspapers in the Borough of Manhattan, City of New York, State of New York, United States of America, a notice setting forth that the Bonds bearing the specified serial numbers will be redeemed and paid at the place of payment specified in the Bonds upon the next succeeding first day of December, at the said rate of 105 per cent. of the principal sum, upon presentation and surrender of such Bonds and of the coupons maturing after such redemption date. The coupons maturing on such redemption date shall be payable as therein specified, and the Obligor covenants to make payment thereof accordingly.

Upon publication of notice of redemption as above provided, the Bonds designated in such notice shall be payable at the said redemption price, on the redemption date in such notice set forth. To the extent of any sinking fund moneys at any time thereafter in the possession of the sinking fund administrators, upon surrender to them of any Bonds designated in such notice, bearing coupons as aforesaid, the sinking fund administrators shall receive the same and shall pay therefore out of said sinking fund the said redemption price. After the redemption date so designated, no interest shall accrue upon any bond called for redemption, nor shall any coupon maturing subsequently to said date be of any force or effect.

Section 4. The Obligor out of its interest service funds will reimburse the sinking fund for the amount of accrued interest paid on Bonds purchased with sinking fund moneys as provided in Section 2 of this Article, and will pay the coupons appertaining to Bonds called for redemption as provided in Section 3 of this Article and maturing on and prior to the designated redemption date of such Bonds; the intention being that the sinking fund shall not be charged with the amount of any such accrued or matured interest. The Obligor will pay also out of its loan service funds other than the sinking fund moneys, the purchasing commissions on bonds purchased for the sinking fund, and any and all other expenses of the administration of the sinking fund.

All Bonds purchased or redeemed with sinking fund moneys shall be cancelled by the sinking fund administrators, and no Bonds of the loan shall be issued in lieu thereof.

ARTICLE THREE.

Section 1. The Obligor hereby delegates such person or persons as shall be designated in writing by the Finance Minister to execute the Bonds. The coupons on the Bonds shall be sufficiently executed by the imprinting thereon of the fac simile signature of Mr. Lacour-Gayet.

Section 2. The Bonds shall also be countersigned for identification by the Guaranty Trust Company of New York, acting by an officer thereof thereunto duly authorized. No Bond shall be valid or negotiable unless so countersigned for identification.

ARTICLE FOUR.

Whenever in this contract or in any of the Bonds the term "gold coin of the United States of America" is used, it is intended to mean such gold coin of the standard of weight and fineness existing on December 1, 1924.

For the Government of the French Republic
E. CLEMENTEL.

SCHEDULE A.
(Form of Definitive Bond.)

No..... $.....

THE GOVERNMENT OF THE FRENCH REPUBLIC
EXTERNAL LOAN OF 1924

Twenty-Five Year Sinking Fund 7% Gold Bond
Total Issue $100,000,000

The Government of the French Republic (hereinafter termed "Obligor"), for value received, promises to pay to the bearer, on the first day of December, 1949, the principal sum of
dollars, and to pay interest on such principal sum at the rate of seven per cent. (7%) per annum, semi-annually on the first day of June and the first day of December in each year after the date hereof until such principal sum shall have been paid, but only upon presentation and surrender of the coupons for such interest hereto attached, as severally they mature. Such principal sum and interest instalments, when due respectively, will be paid in the Borough of Manhattan, City of New York, State of New York, United States of America, at the office therein of J. P. Morgan & Co., in gold coin of the United States of America of the standard of weight and fineness existing on December 1, 1924, without deduction for any taxes now or at any time hereafter imposed by the French Republic or by any taxing authority thereof or therein.

In and by the Contract dated November 22, 1924, made by the Obligor with said J. P. Morgan & Co., as Bankers, in accordance with which

Contract this Bond is issued, the Obligor covenants with the Bankers for the benefit of the holders of the Bonds of this Loan, to make payment of certain sums as a sinking fund applicable to the purchase or redemption by call of Bonds of this issue, as will appear more fully by reference to the extracts from said Contract inscribed on the reverse hereof.

This Bond is subject to redemption by operation of the said sinking fund on the first day of December, 1925, or on the first day of December of any year thereafter prior to December 1, 1949, upon publication of notice as provided in the aforesaid Contract, by payment of 105% of the principal amount, the interest hereon maturing on such redemption date being also payable in accordance with the coupon for such interest.

This Bond shall not be negotiable until countersigned by the Guaranty Trust Company of New York or its successor duly appointed by the Obligor for such purpose.

Dated December 1, 1924.

THE GOVERNMENT OF THE FRENCH REPUBLIC

By_____

Countersigned:

GUARANTY TRUST COMPANY OF NEW YORK

By_____

(Form of Coupon.)

No..... $.....

On the first day of , 19 , unless the Bond hereinbelow mentioned shall have been called for previous redemption, The Government of the French Republic promises to pay to bearer in the Borough of Manhattan, City of New York, State of New York, United States of America, at the office of J. P. Morgan & Co.,

dollars, gold coin of the United States of America of the standard existing on the date of said Bond, without deduction for French taxes, present or future, being six months' interest then due on The Government of the French Republic External Loan of 1924 Twenty-Five Year Sinking Fund 7% Gold Bond dated December 1, 1924, No.

THE GOVERNMENT OF THE FRENCH REPUBLIC

By_____

(Following to be printed on back of Bond.)

Transcript of Article Two of Contract dated November 22, 1924, between THE GOVERNMENT OF THE FRENCH REPUBLIC, as Obligor, and J. P. MORGAN & Co., as Bankers;

(Here follows Article Two in full.)

SCHEDULE B
(Form of Temporary Bond.)

No..... $.....

Temporary Bond Exchangeable for Definitive Bond When Prepared.

THE GOVERNMENT OF THE FRENCH REPUBLIC
EXTERNAL LOAN OF 1924

Twenty-Five Year Sinking Fund 7% Gold Bond
Total Issue $100,000,000

The Government of the French Republic (hereinafter termed "Obligor), for value received, promises to pay to the bearer, on the first day of December, 1949, the principal sum of dollars, and to pay interest on such principal sum at the rate of seven per cent (7%) per annum, semi-annually on the first day of June and the first day of December in each year after the date hereof until such principal sum shall have been paid, but as to the interest payable June 1, 1925, only upon presentation and surrender of the coupon therefor hereto attached, and as to succeeding instalments of such interest only upon the presentation of this Bond for the notation thereon of such interest payments. Such principal sum and interest instalments when due respectively will be paid in the Borough of Manhattan, City of New York, State of New York, United States of America, at the office therein of J. P. Morgan & Co., in gold coin of the United States of America of the standard of weight and fineness existing on December 1, 1924, without deduction for any taxes now or at any time hereafter imposed by the French Republic or by any taxing authority thereof or therein.

In and by the Contract dated November 22, 1924, made by the Obligor with said J. P. Morgan & Co. as Bankers, in accordance with which Contract this Bond is issued, the Obligor covenants with the Bankers for the benefit of the holders of the Bonds of this loan to make payment of certain sums as a sinking fund applicable to the purchase or redemption by call of Bonds of this issue, as will appear more fully by reference to the said Contract.

This Bond is subject to redemption by operation of the said sinking fund, on the first day of December, 1925, or on the first day of December of any year thereafter prior to December 1, 1949, upon publication of notice as provided in the aforesaid Contract, by payment of 105% of the principal amount, the interest hereon maturing on such redemption date being also payable.

This Bond shall not be negotiable until countersigned by the Guaranty Trust Company of New York or its successor duly appointed by the Obligor for such purpose.

Dated December 1, 1924.

THE GOVERNMENT OF THE FRENCH REPUBLIC

By_____

Countersigned:

THE GUARANTY TRUST COMPANY OF N. Y.

By_____

(Form of Coupon.)

No..... $.....

On the first day of June, 1925, THE GOVERNMENT OF THE FRENCH REPUBLIC promises to pay to bearer, in the Borough of Manhattan, City of New York, State of New York, United States of America, at the office of J. P. Morgan & Co.,

dollars, gold coin of the United States of America of the standard existing on the date of said Bond, without deduction for French taxes present or future, being six months' interest then due on THE GOVERNMENT OF THE FRENCH REPUBLIC External Loan of 1924 Twenty-five Year Sinking Fund 7% Gold Bond dated December 1, 1924, No.

THE GOVERNMENT OF THE FRENCH REPUBLIC

By_____

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American Smelting and Refining Co.
Bethlehem Steel Corporation.
Cuba Cane Sugar Corporation
Firestone Co.
International Railways of Central America.
United States Rubber Co.
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